THE FINANCIAL TIMES LIMITED 1990

Singh pulls back from threat to quit leadership

FT No. 31,200

World News

India's ruling Janata Dal party wrestled at the weekend to prevent its collapse after 13 ministers, including three of cabinet rank, resigned in protest against the election of Mr Om Prakash Chautala as Chief Minister of Haryana.

The political crisis deepened when Prime Minister V. P. Singh also sent his resignation to the Janata Dal President. an offer he later withdrew. Page 16

Pakistan bombings At least 35 people were killed * 'nd more than 100 injured in a rash of bomb attacks in the south-western Pakistani town

of Hyderabad. Page 2 Seal cull cancelled A Taiwanese businessmen dropped plans to slaughter 30,000 seals off South Africa for dog food and aphrodisiacs after protests from animal rights activists, including French screen star Brigitte

Bardot. Czech evacuation

A group of about 30 Czechoslovak citizens, mostly women and children, left Cuba quietly as Prague and Havana maintained a tense diplomatic stand-off over 12 Cuban refugees sheltering in the Czechoslovak embassy. Page 2

Cambodian gloom There is deepening international gloom about peace prosnects in Cambodia as the five permanent members of the United Nations Security Council meet in Paris in search of a settlement. Page 2

Mandela tribute Nelson Mandela, deputy leader of the African National Congress, visited the graves of ANC members killed in Mozambique by South African

security forces in the 1980s. University closed The Government of President Kenneth Kaunda shut down Zambia's main university in Lusaka two weeks after student-led protests left at least

A 5 people dead. Page 2 China mine expiodes Forty-five workers were killed and 11 injured in a coal mine explosion in the northern Chi-

nese province of Shandong. French refuge

More than 500 Albanians arrived in France after being brought by ship from the Italian port of Brindisi, the first stop for thousands of refugees being evacuated from foreign

embassies in Tirana. Visit restores ties

A three-day visit to Egypt by President Hafez al-Assad of Syria ended a 13-year estrangement between the two countries which split over peace talks with Israel Page 2

Cocaine seized

Colombian airborne troops raided a jungle laboratory close to the drug centre of Medellin and seized two tonnes of cocaine sealed in metal containers and buried.

Haiti in turmoil

The political situation in Haiti, which has been deteriorating over the past two months, is set to worsen after a row within the interim government. Page 2

Kili downplayed

Kenyan wildlife expert Richard Leakey downplayed the recent slaughter of six elephants near the border with Uganda as an isolated incident, not a resurgence in poaching.

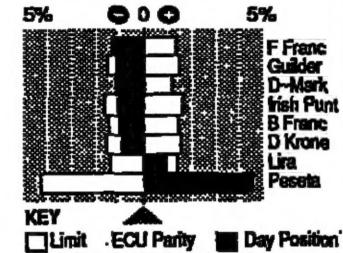
Age no object Ulrich Inderbinen, 99, Europe's dest mountain guide, scaled the famed Matterborn to mark the first climb of the Swiss peak 125 years ago.

Business Summary US telecom authorities target world phone cartel

US telecommunications authorities are attacking the complex accounting rates system which determines how revenue from international calls is shared between the world's telephone companies. in a move designed to cut prices by half within two to three years. Page 16

EUROPEAN Monetary System: The Spanish peseta rose above its maximum limit within the system at times last week. The Bank of Spain sold pesetas against the weakest placed French franc and the D-Mark. but declined an opportunity on Friday to cut its money market intervention rate, thus keeping interest rates unchanged.

EMS_			July	13, 1	990
GRID	00	0	1%	2%	3%
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Guilder and D-Mark			: [:		
ish Punt			1.		
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D Krone		2000	<u> </u>		
Lira a Peseta a		_		- (8	163
Sterling				- 76	_
ECU DIV		ENC	e E		-
%	_	0	_	5%	



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 24 per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu).

SIGNET, UK's largest credit card processing operation, is set to pass into US or French hands. Page 16

MITSUI Petrochemical Industries, leading Japanese chemicals company, and Samsung South Korea's largest industrial group, are planning a wide ranging joint venture in petrochemicals. Page 19

FRENCH STOCK EXCHANGE authorities and shareholders of Tuffier et Associés, stricken securities firm, met over weekend to avert financial crisis. Page 19

VENEZUELA is altering rules for the conversion of foreign debt into equity to encourage investment in large industrial projects. Page 2

RHONE-POULENC, French state-controlled chemicals group, raised FFr4.7bn (\$887m) in new equity to help replenish its balance sheet after last year's international takeover spree. Page 19

CZECHOSLOVAKIA tapped the Eurobond market for first time on Friday with the launch of a DM250M (\$151m) five-year Eurobond, guaranteed by Ceskoslovenska Statni Banka, state bank. Page 19

MARINE SYNDICATE 185 one of largest syndicates at Lloyd's, is expected to cease underwriting at the end of this

year. Page 4 EUROPEAN industry has made a remarkable recovery and has restructured itself, according to a new inventory of EC businesses produced by Euro-

CANADA'S Toronto-Dominion Bank has begun legal proceed-ings against GEC, Plessey and Siemens, to recover C\$40.5m (\$34m) lost in the collapse of Leigh Instruments, Ottawabased electronics company. Page 19

Gorbachev and Kohl near deal on Germany in Nato

Monday July 16 1990

By Quentin Peel in Moscow

SOVIET President Mikhail Gorbachev and Chancellor Helmut Kohl of West Germany yesterday appeared to be on the brink of a breakthrough agreement on the future membership of a united Germany in Nato, in exchange for assur-ances on future German troop limits.

The two leaders emerged beaming and optimistic from a first round of talks in Moscow. pelore Haink off southern Russian city of Stavropol - Mr Gorbachev's home territory - to continue their negotiations.

Senior officials confirmed their optimism, suggesting that a Soviet green light for Germany in Nato could well be announced today.

The deal would certainly be linked to a numerical limit on a united Germany's armed forces, to considerably less than the 495,000 currently in the Bundeswehr, and probably to compensation being agreed for the Soviet military facilities East Germany. A key member of Mr Kohl's

team in Moscow yesterday was Mr Theo Waigel, the West German Finance Minister, who held parallel talks with Mr Valentin Pavlov, his Soviet counterpart, and Mr Stepan Sitaryan, the Deputy Premier. Officials said their talks cov-

ered West German proposals for a multilateral aid package. now to be investigated by the International Monetary Fund and other institutions, as well as possible help towards the cost of withdrawing Soviet



troops from the east, and guarantees over long-standing trade contracts between the Soviet Union and East Germany.

Bonn has already guaranteed new trade credits totalling DM5bn (\$3bn), and has agreed to pay the hard currency cost of keeping Soviet troops in East Germany this year, after monetary union between the two Germanys.

dialogue is very meaningful. the discussion is constructive and the atmosphere is good," Mr Gorbachev told reporters at an impromptu press conference. "We immediately started with tackling major problems. We have got a few small nuts to crack, but we have got very good teeth. We will crack

Mr Gennady Gerasimov, the "It is clear already that our Soviet Foreign Ministry

spokesman, said that he expected a deal on Nato membership, hitherto strongly opposed by Moscow.

A senior West German diplomat said there was "a good chance that we will get agreement on the major outstanding issues," while warn ing that it was "a very big

Continued on Page 16 Forming a habit on a tide of history, Page 15

in Brussels today, also sought to dismiss suggestions that the anti-German views expressed by Mr Ridley in his Spectator magazine interview last week were shared by Mrs Thatcher.

Overhaul of leadership completed

By Quentin Peel in Moscow

SOVIET President Mikhail Gorbachev completed at the weekend the total overhaul of his ruling Communist Party's leadership, cutting it off almost entirely from the formal structures of the Soviet Govern-

His move rounds off an extraordinary political campaign over the past two weeks, in which the Soviet leader imposed his will on an unwilling and often hostile party congress and forced through a radical policy committed to market reforms, new and more democratic party rules, and the new leadership structure. And all this in spite of the obvious hostility of the party majority to his reform strategy. Yet it has not proved enough

to prevent the beginning of a

split. There were further defections at the weekend of radicals following Mr Boris Yeltsin. the Russian president, and the leaders of the Democratic Platform, the most committed reformers, out of the ruling Nor did it begin to answer

potentially disastrous party

the ever more radical calls from outside the Communist Party for nationalisation of its property, and the depoliticisa-- the army, militia and the KGB. Those were the key demands of demonstrators on the streets of Moscow again at the weekend.

Tens of thousands of fiercely anti-Communist demonstrators, bearing Russian tricolour flags and posters with slogans

"Down With Red Fascism," braved pouring rain to gather in Manezhnaya Square, at the Kremlin walls, to demand drastic curbs on the party's power.

The foundest cheers went to speakers like Mr Arkady Murashev, a people's deputy, who said "the party has been robbing the country for 70 years," and Mrs Valeria Novodvorskaya, leader of the radical Democratic Union, who "the Führer of the Soviet empire."

Mr Gorbachev's coup nevertheless clears the way for his next major effort to transform the Soviet Government, bring-ing in new blood from outside the Communist Party to make it an effective coalition and

possibly replacing his long-standing ally, Mr Nikolai Ryzhkov, as Prime Minister in order to accelerate the process of economic reform.

The real centre of power now will be the president Ryzhkov and the other leading members of the Government - Mr Eduard Shevardnadze. Foreign Minister, Mr Vladimir Kryuchkov, head of the KGB, Marshal Yazov, Defence Minister, and Mr Vadim Bakatin, interior minister - sitting on the Presidential Council

The new Politburo, elected on Saturday, is a colourless. and unwieldy body of 24, including the leaders of all 15 republican Communist parties, and not a single member of the Government. Picture, Page 2

Thatcher under pressure to back European unity By Philip Stephens and Alison Smith in London resignation - said by White-

MRS MARGARET Thatcher, UK Prime Minister, faces intense pressure this week to limit the political damage left by the resignation of Mr Nicholas Ridley as Trade and Industry Secretary by underlining her support for a positive approach to closer European

co-operation. Mrs Thatcher is being urged da selitor corresantes emblore the European strategy drawn up by Mr John Major, Chancellor of the Exchequer, and Mr Douglas Hurd, Foreign Secretary.

Mr Hurd, however, stressed vesterday that Britain's stance on closer integration with the European Community still fell far short of the rapid progress to a single currency and central bank sought by many of its European partners.

In an interview on BBC television he acknowledged that if Germany and France pressed ahead next year with their present blueprint for Economic and Monetary Union, Britain would opt for the "slow lane" of a two-speed Europe. He emphasised, however, that he expected others to join Britain in opposing such a split within the Community.

Mr Hurd, who will meet his EC counterparts at a meeting But his hopes that Mr Ridley's

hall efficials to have come eventually at the insistence of Mrs Thatcher - would allow good relations with Bonn to be rapidly restored, were dented by publication of a confidential Downing Street minute. The document, detailing a eminar on Germany beld by the Prime Minister in March of trus year, included a number references to Germans as being

prone to "agressiveness" and bullying . As Cabinet ministers sought to close ranks after the political turmoil of the past few days, they voiced hopes that Mrs Thatcher would use two speeches at Westminster this week to re-unite the party. Mr Kenneth Baker, the Party chairman, was said to be concerned the sharp divisions among Conservatives on Europe must be quickly healed if the Government's hopes of re-election were not to be

severely damaged. Mr Ridley's replacement by Mr Peter Lilley, a Treasury minister, reinforced the expectations of some at Westminster that the Government would move swiftly to underline its European credentials by taking up full membership of the European Monetary System. Mr Ridley was a vehement

opponent of the EMS exchange rate mechanism while Mr Lilley has accepted sterling's participation as inevitable. Ridley resignation. Page 6; Editorial comment, Page 14; Lombard, Page 15

Outburst puts strain on UK-German ties

By David Marsh in Bonn

THE Nicholas Ridley affair seems certain to weigh down future Anglo-German relations, Constitute of the West German Government's insistence yesterday that Mr Ridley's resignation had cleared the air. "It has been totally settled," said one official from the Chancellor's Office, with what used to be called typically British moerscatement "What Ridley said was so

stupid that we refused to believe that his comments reflected the views of the British Establishment." The official made clear that relations would have come under great strain had Mr. Rid-

ley stayed. "If he had come to

IF YOU CAN GET

Foreign Minister, used the southing tones of a family doctor to reassure British diplomats in Bonn on Thursday that Mr Ridley's outburst

for Anglo-German relations. Mr Rüdiger von Wechmar West Germany's Ambassedor to London until the end of 1988, said, however, that Bonn would have to pay more attention to analysing its relation-ship with Britain. Continued on Page 16

meetings in Brussels and met

people whom he had described

wouldn't have been very com-

as Nazis, idiots or poodies, it

.... Mr Hans Dietrich Genscher,

fortable.*

World Bank turns development spotlight on reducing poverty

A NEW, dual approach to world poverty will be required by the international community if there is to be any chance of reducing the plight of 1bn people attempting to live on \$370 a year or less, says The World Development Report 1990 which is published today by the World Bank.

chance of reducing poverty without the other, are: efficient labour-intensive

pean Commission. Page 4

Stock Markets

By Robin Pauley, Asia Editor, in London as those caused by recession, adds the report. The authors suggest that if the strategy is broadly followed, the worst poverty could

other forums.

tional assistance.

be substantially alleviated before the turn of the century. That assessment, however, is based on an exceptionally favourable set of economic assumptions: growth in indus-trial countries of about 3 per The report says the two elements of the strategy, neither of which would have any cent a year, falling real interest rates, rising commodity prices over the next 10 years and a successful conclusion to the trade talks in the Uruguay Round of the General Agree-

growth based on appropriate market incentives, physical infrastructure, institutions and technological innovation; and adequate provision of social services, including primary education, basic health care and family planning services. In addition, transfers would be needed to help those who would not otherwise benefit, including the destitute, the sick and the aged. Safety nets must be provided to protect those most vulnerable to

income-reducing shocks such

military spending by the countries of the North Atlantic Treaty Organisation would pay for a doubling of aid. Development assistance provided by industrial country donors in recent years has been only about 5 per cent of their military expenditures.

Aid has represented only about 1.4 per cent of central government expenditures for members of the Development Assistance Committee of the OECD - and only about 0.8 per cent for the US. "The decade started with

momentous changes in the USSR and in many eastern European countries. These may point the way towards a world less gripped by superpower rivalry and more devoted to improving the quality of life. "In many areas, the political

The easing of geopolitical and economic obstacles are tensions offered a unique Poverty in Britain, Page 5; opportunity to cut military World Bank spotlight on poor, Page 3; Editorial comment, spending and increase interna-A cut of just 10 per cent in

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CONTENTS THE MONDAY INTERVIEW



cial to be credible," cerowicz, Deputy Prime Minister and Finance Minister of Poland, now more than six months into the shock programme of which he is archi-Page 32

argues Mr Leszek Bal-

Intl.Capital Markets .

Brazil: Privatising with a difference "It is absolutely cru- | Telecommunications: Ringing the changes for telephone cartel Air Transport in Europes An EC minefield4 UK Polities: Labour's Kinnock attempts to

mend fences in the US Editorial Comment: The choices in Europe; A strategy for world poverty French Electronics: Keeping cool in a high-

Lex: A wind of change on the farm

FT SURVEYS THIS WEEK 100000

ment on Tariffs and Trade and

If these conditions were not

fulfilled, the impact on poverty

would be less great unless the

developed world made the poor

a much greater priority than

Manchester's financial district 南 TODAY: Financial and Professional Services in the North-West

of England: The sector appears to be doing well at a time when its London counterpart is suffering from an economic downturn. Section III

E THURSDAY: Izmir and the Aegean: Business optimism abounds in the Aegean region of Turkey, following a new wave

☐ NEXT WEEK: □ New Zealand, (Monday). Growing Businesses. (Monday).

of industrial investment.

Development, (Tuesday). ☐ Tunisia, (Wednesday). ☐ Southampton, (Thursday). ☐ Vehicles and the Environment, (Friday)

□ Management Education and
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INTERNATIONAL NEWS

Neil Bush 'not involved in criminal activity'

By Peter Riddell, US Editor, in Washington

NO evidence exists that Mr Nell Bush, the son of President George Bush, was involved in criminal activity in the Silver-ado savings and loan collapse, Mr Richard Thornburgh, the US Attorney-General, claimed yesterday.

The failure and rescue of large parts of the savings and loan or thrift industry is now attracting vast public attention in the US, providing daily front-page articles and bigger television coverage than any other domestic issue. It is also producing consider-

able public anger, according to opinion polls.

Democrats and Republicans have been engaged in fierce exchanges over who is to blame, ahead of this November's mid-term elections where the focus is on which candidates may have received political contributions from savings and loans.

While Mr Neil Bush is a bitpart player in the overall scan-

dal, allegations that as a direc-tor of the failed Silverado thrift he violated conflict of interest and disclosure rules in decisions on \$100m (£55.86m)-worth of loans to a close business associate have personalised the issue and created serious political problems for the White

Mr Thornburgh said yesterday the Justice Department was "not aware of any evidence or any allegations from a credible source of participation by Mr Neil Bush in any criminal activity or misconduct". He drew a distinction between criminal involvement, which comes under his department's jurisdiction, and any possible civil liability or infringement of regulations which is being

separately considered. The Federal body handling the rescue will shortly decide whether to bring a civil suit totalling up to \$200m against Mr Bush and his fellow-directors, while the Office of Thrift Supervision, the main regula-tor, has arranged a public hearing for late September. The col-lapse of the Denver-based Silverado will cost US taxpayers around \$1bn.

Republicans have accused Democrats of singling out Mr Neil Bush unfairly, though they have admitted he may have been foolish and

Mr Thornburgh said there was criminal activity in about a third of the failures, wrong-doing in a further third where criminal activity cannot be proven, with the remaining third collapsing because of stuniedity. pidity.

Mr David Cooke, executive director of the Resolution Trust Corporation, responsible for the rescue, said the corporation was about 25 per cent through the operation so far, in terms of assets handled and unloaded. A total of 456 institutions have come under Federal control, and of these 209 have been disposed of or closed. The currently expected total

700 with \$400bn of assets. He warned that another 200 institutions with another \$200bn or so could be vulnerable. The latest estimates of the cost to taxpayers is \$130bn in present value terms, but Mr Cooke said the total could be three times as much, if all the interest paid over the life was added in.

coming under federal control is



Demonstrators link arms as they cross Crimea Bridge during a mass anti-communist rally in Moscow yesterday. The tens of thousands of protestors gathered at the Kremlin walls to demand drastic curbs on the party's power.

First Sino-Soviet venture due to be signed

AN agreement to set up the first Sino-Soviet joint venture in China is expected to be signed within two months, AP

reports from Peking. The two countries already have about 20 joint ventures, mostly restaurants, in the Soviet Union. But the planned flax textile firm in Inner Mongolia would be the first in

China, the English-language Business Weekly reported yes-

The flax mill will be equipped with 7,100 spindles on 100 machines and is expected to be completed in 1992, according to Ji Jun, deputy director of the Textiles Ministry's international co-operation department. The project in Baoton,

155 miles south of the Soviet border, will include a flax seed production base. In the 1950s, the Soviet Union sent thousands of technical advisers to help develop China. That co-operation ended

when the two Communist powers split over ideological and other differences at the end of the decade.

VENEZUELA is altering rules

for the conversion of foreign

debt into equity to encourage

investment in large industrial

The changes were disclosed

to bankers in London by Mr

Miguel Rodriguez, the Vene-

zuelan Minister of Finance.

and Mr Pedro Tinoco, the cen-

Venezuela has had in place

for some time a debt-to-equity

auction system, but has been

persuaded such a system is dif-

ficult to operate for big pro-

Eligible large projects will be

specifically designated by the

Government, while an auction

system will remain in place for

A petrochemicals project

involving Petroleos de Vene-

zuela, the state petroleum com-

pany, and US and German

tral bank governor.

smaller conversions.

projects.

Relations have warmed in recent years, and diplomatic ties were normalised last year. when Soviet leader Mikhail Gorbachev visited Beijing for the first summit in 30 years. Trade has developed correspondingly. Last year's trade volume was estimated at \$3.2bn, or more than 14 times that of 1981.

arranging a forest products

project, which is expected to be

eligible, involving Bowater and

Abitibl. This project is said to

be valued at about \$600m

Debt-equity conversions are

limited for monetary reasons

to \$600m a year. But in talks in

London, Venezuelan officials

indicated that next year this

limit might be increased if con-

promote a debt-reduction pack-

age under the Brady initiative

covering public foreign debt,

also said they expected to

make firm proposals in August

about private-sector debts to

These debts, amounting to

about \$3bn, have proved an

obstacle in improving relations

between Venezuela and some

foreign creditors. The propos-

"menu of options" to be used

between a private-sector debtor

The officials, in London to

(£335.19m).

ditions permitted.

foreign creditors.

debt-equity conversions

By Stephen Fidler, Euromarkets Correspondent

Venezuela to encourage

Commission Electoral announced a final count that declared incumbent president Joaquin Balaguer, 83, the victor in the May 16 election. The commission said Mr Balaguer won with 24,744 votes out

of 1.9m cast. Fraud charges had delayed the final count. Mr Bosch's Dominican Liberation Party said the mourning. period would last for 48 hours. beginning today, when people would be asked to stay at home.

Security forces in anti-riot gear cordoned off the area around the court building in Mogadisha. The 42 accused were charged with publishing and distributing a manifesto two months ago which called for the removal of President Mohamed

Forty-five workers were killed and 11 injured in a coal mine explosion on Friday in the northern Chinese province of Shandong, local radio reported, Reuter reports.

monitored by the BBC, said an "extremely serious" explosion ripped through the colliery. The exact location of the mine is unclear.

tion but the other six were not

launch an investigation. officials by telephone yesterday

were unsuccessful.

dian and Mexican plants) reached an annual rate of 7.35m

three weeks are the strongest since January and mark a recovery to 1989 rates.

mum of 60 days.

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Brady gives pledge on futures trading

By Peter Riddell

THE Bush Administration will not seek further changes in the jurisdiction of the Commodity Futures Trading Commission if the US Congress agrees to move supervision of stock index futures from the CFTC to the Securities and Exchange Commission

This assurance has been made by Mr Nicholas Brady. the Treasury Secretary, as he faces an uphill battle to win congressional backing for his proposal on stock index futures, a hedge on future movements in share prices. He has argued strongly in favour of both stocks and stock index futures being under a single regulator, the SEC.

However, Mr Brady's plan has been strongly opposed both by the CFTC and by the futures markets, notably in Chicago. The latter have strong support on the Senate Agriculture Committee, which oversees the markets, and on the influential Illinois delegation in Congress. The change has been backed by the securities industry and the SEC.

In face of this opposition. Mr Brady has sought to deal with the fears of the futures indus-

try and some congressmen that shifting oversight of stock index futures is just the first stage of a wider overhaul of the CFTC, as has been considered by the Treasury. One option previously floated has been a merger of the CFTC and the SEC, which is strongly

opposed by the former. Mr Brady has now told a Senate committee that "stock index futures are all that needs to be fixed. If the proposal passes in its present form, I will oppose additional, sweeping changes to the CFTC's jurisdiction". The issue is expected to be resolved within the next few weeks.

Mr Brady feels strongly on the question, both because of his own Wall Street experience as former head of the Dillon Read securities group and following the presidential commission he headed into the October 1987 stock market crash. He argues that in practice, stocks and stock index futures are a single market and should be regulated as

Opponents have argued that the focus should be on computerised programme trading.

Bombs rock Hyderabad

SEVEN bomb explosions rocked Hyderabad yesterday. killing at least 35 people and injuring scores more, hospital and police officials said, AP

reports from Hyderabad. No one has claimed responsibility for the bombings but police suspect Sindh nationalists, who are demanding either greater autonomy or independence from Pakistan.

The Sindh nationalists, who dominate most of the countryside, regularly clash with members of the Mohajir Qami Movement (MQM), representing Indian immigrants to Pakistan following partition in

The Mohajirs have been pressing for recognition as a fifth ethnic nationality. Sindh nationalists had called a one-day strike yesterday to protest against the arrest several weeks ago of Qada Magsi,

a Sindhi activist, charged with inciting violence. Most Mohajirs, who dominate Hyderabad, a bitterly divided city of three million, refused to honor the strike call. prompting the bombings. police speculated.

Meanwhile, eyewitnesses in Hyderabad said paramilitary troops opened fire on wailing mourners who had gathered outside a local hospital, where many of the dead were taken. Three people were killed in the firing, according to several witness accounts.

At least 3,000 police, paramilitary troops and soldiers patrol Hyderabad and thousands more have reportedly been stationed in Karachi.

Prime Minister Benazir Bhutto has acknowledged that the Sindh government, headed by her Pakistan's People's Party, has not done enough to stem the rising tide of violence in her home province.

Ms Bhutto, who came under heavy fire during violence in late May for not acting quickly enough, is in Bahrain, on the final leg of a five-nation tour of Islamic countries.

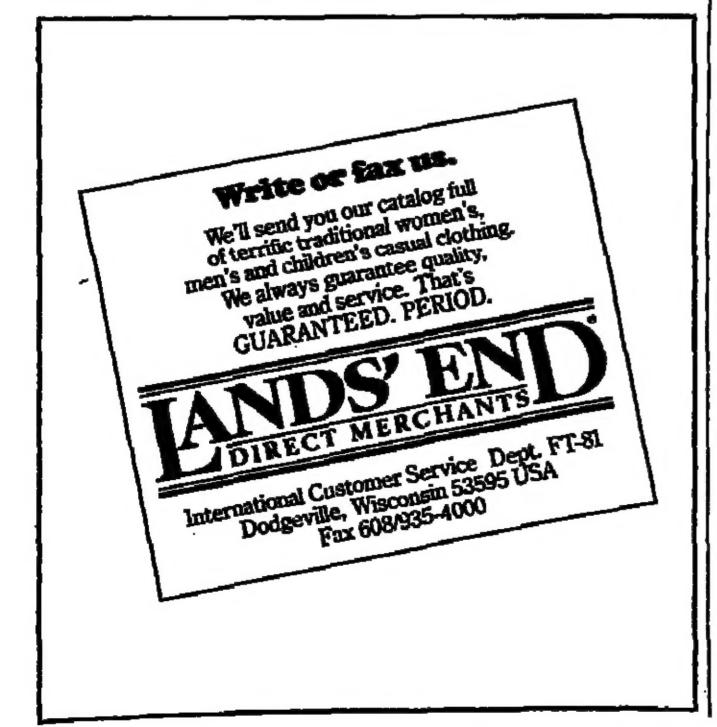
University shut after protests

THE Zambian Government has shut down the country's main university in Lusaka two weeks after student-led protests left at least 26 people dead, AP reports from Lusaka. The Sunday Times of Zambia said university vice-chancellor Kasuka Mwauluka announced

the closure. However, a univer-

sity professor said the shutdown was ordered by President Kenneth Kaunda's ruling party to avoid further rioting.On June 25, students began Protests that escalated into five days of rioting and looting. At least 34 students accused

of inciting the riots are being-



Cambodian peace outlook dim as Security Council meets

By Robin Pauley, Asia Editor, in London and John Pedler in Kompong Speu

THERE is deepening international gloom about peace prospects in Cambodia as the five permanent members of the United Nations Security Council meet again in Paris today and tomorrow in search of a settlement.

The five - the US . Soviet Union, China, France and Britain – are themselves noticeably more pessimistic than when they first met on the issue in January. "The mood has changed. The chances of peace appear a little more elusive each day, but we must go on," said a French diplomat. A US official concurs: "There is no sense of moving forward but a sense of regres-

By Canute James in Kingston

THE political situation in

Haiti, which has been deterior-

ating over the past two

months, is likely to get worse

today after a row within the

is assisting Mrs Ertha Pascal-

Trouillot, the interim Presi-

dent, has threatened to fire her

by noon unless she orders the

arrest of two men who had

senior positions in the Duva-

lier dictatorship and a subse-

Trouillot, who says she wants

to take the country to presi-

dential elections in November,

follows indications that senior

military officers opposed to

government by civilians, and

loyalists of the former Duvalier

dictatorship, are collaborating

The threat to Mrs Pascal-

quent military government.

The Council of State, which

interim government.

Delegates to today's talks face two main problems. The first is that an attempt to get a four warring Cambodian factions, and their consent that the UN should provide an interim administration in Cam-

bodia pending elections, broke down in June when the Khmer Rouge walked out of peace talks in Tokyo. Later that month, high-level

talks between Vietnam, backer of Hun Sen's Cambodian Government, and China, the UN Security Council permanent member which persists in arming the Khmer Rouge, broke down largely over Cambodia. Solutions are unlikely and without them France has made plain that it will refuse to reconvene the Franco-Indonesian-sponsored international peace conference on Cambodia. In the country itself, the economic crisis is as worrying to the Phnom Penh government of Hun Sen as the military successes of the Khmer Rouge who were forced from government by a Vietnamese invasion in 1978 after killing an estimated 1m people during four

years in power. The western sanctions against Cambodia mean the

to force cancellation of the vot-

Trade unions and political

parties, which organised a

one-day general strike last

week, have threatened further

Mr Roger Lafontant, the

strikes unless the two former

Interior Minister in the last

years of the Duvalier dictator-

ship, returned from exile in the

neighbouring Dominican

Republic 10 days ago. He is

alleged to have had links with

the "Tontons Macoutes", the

feared praetorian guard of the

Haiti is former General Wil-

liams Regala, an aide of ex-

President Jean-Claude Duva-

lier and Interior Minister in a

subsequent military govern-

Also recently returned to

officials are arrested.

Duvalier family.

country has no access to foreign loans or financial aid and is desperately short of capital. Inflation is rising sharply and, since the civil war began in the countryside following the withdrawal of the Vietnamese occupation forces last autumn, the riel currency has lost more than half its value.

There is thus a shortage of fuel, making it more difficult for the military to relocate rap-

Western media reports of heavy fighting for the town of Kompong Speu, 50 minutes' drive from Phnom Penn, turn out to be heavily exaggerated. The road from the capital to Cambodia's main port of Kompong Som remains open to civilian and military traffic, whether or not they are in convoy, contrary to some reports. important road from Phnom Penh to Sisophon and Poipet near the Thai border has been closed, as was widely reported.

The Electoral Council, which

is planning the November 4

election, has accused Mr

Regala of involvement in the

deaths of prospective voters in

1987, when armed gangs, with the tacit support of the army,

killed 34 people outside polling stations, forcing the postpone-ment of presidential elections.

Government officials have

But diplomats in Port-au-

said there are no charges on

which the two former officers

Prince, the capital of the Carib-

bean republic of 6m people,

have said that there is signifi-

cant support for Mr Lafontant

and Mr Regala from sections of

the armed forces and among

ultra-conservative supporters

can be arrested.

of the dictatorship.

likely to benefit from the new rules. Morgan Grenfell is arr- as a basis for negotiation anging the deal. J Henry Schroder Wagg is and its creditors. Haitian political crisis mounts Assad visit signals shift

in relations with Cairo A THREE-DAY visit to Egypt by President Hafez al-Assad of Syria, which ends today, signals a shift away from the balance of power prevailing in the Arab world through the 1980s, Max Rodenbeck reports from

The warm welcome given to Mr Assad ended a 13-year estrangement and capped a rapprochement between the two countries, which were allied during the 1967 and 1973 Middle Bast wars but split over Egypt's peace with Israel. Officials said the talks

between Mr Assad and Egypt's President Hosni Mubarak focused on Lebanon and the Palestinian problem. Observers said the two countries, worried by Israel's right-wing government, hope more effectively to

promote an Arab peace agenda by combining efforts. But Arab and Western diplomats suggest rifts between Syria - and Iraq and the Pal-

estine Liberation Organisation - ranked high on the agenda. Egypt, which has good rela-tions with Iraq's President Saddam Hussein and PLO chairman Yassir Arafat, has been to the fore of Arab efforts to reconcile them with Syria. Observers note that both the PLO and Iraqi ambassadors to Cairo were in Alexandria to greet Mr Assad.

While Egypt, which backed Iraq in the Gulf War, has enjoyed rising regional prestige, Syria's Arab standing has declined along with the fortunes of its allies Iran and the Soviet Union.

Brazil begins to privatise, with a difference

Officials say financial sector must pay for years of high profits, Christina Lamb reports with public services but less glamorous

O ONE could ever accuse Brazil's stunt-loving President Fernando Collor of acting moderately, but even by his standards the country's forthcoming privatisation programme is a little ambitious.

Government officials say the process has been modelled on Britain's programme. But Mrs Thatcher would surely have paled at the idea of selling \$7bn (£3.91bn) in six months and a further \$10bn by 1992, all of which will go to paying off the huge public debt. This is privatisation with a differ-

ence. Though Brazil comes late to the game, they have added a new, and to many, unsavoury twist. Officials say it is time for the financial sector to pay for the years of high profits under hyper-inflation. In the government's bid to raise cash to convert an 8 per cent budget deficit to a surplus, it is forcing banks, pension funds and brokerages to buy \$5bn-worth of privatisation certificates (CPs), whether they like it or not. Most do not. To avoid legal battles, with banks arguing that the compulsory purchase of privatisation certificates is unconstitutional, the rules have been relaxed. The timetable for the purchase of CPs has been extended from six to 12 months, with the first lot issued today, and the compulsory purchase level cut from \$7bn to \$5bn. Net flow of resources this year will thus be

only \$2.5bn, or half a per cent of gross domestic product, forcing the government to revise its budget estimates. The biggest chunk of money will come from pension funds. State pension funds must use 25 per cent of reserves in the programme, an estimated \$3.2bn. while private-sector pension funds must

use 10 per cent of reserves, relaxed from 15 per cent. Private banks, including one state company a month to raise foreign ones with retail branches in Brazil, must buy CPs for the value of 3 per cent of assets or 18 per cent of net worth, whichever is lower. This will provide an estimated \$1.5bn. If the CPs are not used to buy shares, then from the moment the first state company comes up for auction, CPs will lose value as their protection against inflation is slowly reduced.

"This is not privatisation. It is blackmail." says a European diplomat. Mr Fred Gibbs, head of Lloyds Bank in São Paulo, complains: "We are not happy about this. It is no more than another form of taxation". Mr Gibbs, who calls the CPs "biodegradable instruments". says the banks lose either way. "The unpleasant reality is we are being forced to convert just over \$14m of our capital into paper which effectively loses value as soon as privatisation is under way, or shares in something with an undefined future".

zil is launching the programme not

manufacturing companies which are hardly household names. The first company to go under the hammer will be Usiminas, which in 1989 was the biggest steel producer in Latin America with record profits of \$239m. Its sale is expected to raise \$1bn. Mr Eduardo Modiano, president of

the National Development Bank (BNDES), which is due to oversee the privatisation, says they are preparing 11 companies, mainly in manufacturing. He hopes the first auction will take place in October. He defends the pace.

be problem "is getting things started. Once we start we can do at least one a month. That does not mean we're privatising one British Steel or British Telecom a month. The companies will range from anything from \$40m to \$2bn in value." Mr Modiano says they hope to privat-

ise 40 manufacturing companies by 1992, raising \$17bn, then begin on the more controversial infrastructure and ports, to bring proceeds up to \$40bn and finally tackle public services, to reach a grand total of about \$80bn.

Usiminas will be followed by Petroquimica Uniao and Copesul, both petrochemical companies, and Siderurgica de Tubarao (CST), Brazil's fourth largest Constitutional restrictions mean Bra- steel producer, 10 per cent of which is owned by Kawasaki Steel and Finsider

of Italy. These are likely to be followed by fertiliser companies. Mr Modiano says: "Our plan is to do two large companies and four small ones this year admitting: "They are a mixture of good

No state control will be retained and foreign companies can buy any amount, although with a limit of 40 per cent on voting share which Mr Modiano claims is "the most liberal privatisation programme ever undertaken in terms of foreign capital".

Whether foreign investors are that interested is another matter. Several funds that have been set up are for debt conversions. Banco Bolzano Simonsen is planning three funds, European. Canadian and Japanese, of around \$75m each, but all using debt. One European banker says: "No one wants to invest money, they're just writing off a bad debt on which no interest is being paid for a share in a company which may or may not make a profit".

The sales are expected to provoke many problems from unions who oppose privatisation. But Mr Modiano argues: "The government has run out of money for keeping up Brazil's industrial base. The alternative would be closing the companies, and 100 percent dismissal". However, "we'll have to run a campaign explaining who pays for state inefficiency and state overstaffing. It's going to be tough."

evacuates citizens from

Havana A GROUP of about 36 Czechoslovak citizens, mostly women and children, left Cuba quietly yesterday as Prague and Havana maintained a tense dip-lomatic stand-off over 12 Cuhan refugees sheltering in the Czechoslovak embassy, Reuter reports from Havana.

The voluntary evacuation came after five Cubans demanding to leave the country forced their way into the house of a Gzechoslovak diplomat on Thursday. There were no special formati-ties or protection at Havana air port for the departing Czechosto-vaks, who boarded a regular

flight to Prague. Tension has been rising between Cuba and its former communist ally over the case of 12 Cubans granted refuge at the Czechoslovak embarsy laz week and of five others occupying the house of Mr Jan Domok the chargé d'affaires. In a separate development

Cuba apologised to Spain over an incident last Friday in which security police followed an asy. lum seeker into Spain's Havana embassy and dragged him out.

Dominican poli result Mr Juan Bosch, the opposition leader who was finally declared the loser in the Dominican Republic's presidential election held two months ago, called on Saturday for a period of national mourning to "bring an stid" to the government, Renter reports from Santo Domingo. Late on Friday the Central

Somalia trial opens Police fired into the air yesterday to disperse hundreds of demonstrators shouting antigovernment slogans at the start. of a trial of 42 prominent Somalis who called for political reforms. Reuter reports from

Siad Barre and the setting up of a caretaker government.

Chinese mine deaths

A Shandong radio report,

The radio said 56 miners had been rescued. Five of the injured were in serious condi-

badly hurt. Shandong's vice-governor Song Fatang has been assigned to deal with the accident and Attempts to reach provincial

US car sales strong US sales of domestically-builtcars (including those from Cana-

in the first selling period in July writes Anthony Harris in Washington. This is down from the strong 8.1m rate achieved in the final period of June, but is well above expectations; sales in the last

Stocks of unsold cars are estimated to stand at 57 days' sales. a little below the industry opti-

The Financial Times (Europe) Ltd.
Published by the Financial Times
(Europe) Ltd., Frankfurt Branch. (Guiollottstrasse 54, 6000 Frankfurtact-Main L. Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McChan, G.T.S. Damer, A.C. Miller, D.E.P. Pakner, Lendon, Prinser, Frankfurter, Societaets-Druckerei-Grahl GmbH. Franklurt/Main. Responsible editor: Sir Geoffrey Owen, Funncial Times. Number One Southwark Eddge. London SEI 9HL. The Floristial Times.

0629. Editor: Sir Geoffrey Owen.
Printer: SA Nord Editor: 15/21 Rue de
Caire, 59100 Roubin, Order ! ISSN:
ISSN 1148-2753. Commission Paritaire
No 67808D.

Financial Times (Seandinavial) Oster-gade 44. DK-1100 Copenhagen K., Donmark: Telephone (01) 13-44-41. Fax (01) 935335.

Italy eager to avana make early mark in EC presidency

By David Buchan in Brussels

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hu.

ITALY starts its presidency of the EC with a flourish by proposing today that the Commonity establish a special development bank for the Mediterranean region, as it has already helped to do for east

Mr Gianni De Michelis, the Italian Foreign Minister, is also expected to put to fellow EC foreign ministers his plan that Community states raise their spending on development aid to 1 per cent of their gross national product, of which half would go to the Third World and a quarter each to east Europe and the Mediterranean

However, most EC states and the Commission are likely to treat both ideas coolly. Opposition will come not only from states like Britain. which is notoriously tight with EC cash. Although the Com-

eler into Spaniel mission shares the analysis of sy and drawed by warrying economic and social trends in the Maghreb countries that Mr De Michelis will ninican politi present today in his paper to foreign ministers, it believes the remedy lies in existing financial institutions. Last month it proposed the No months and

European Investment Bank should be used as the lending vehicle for half the Ecu3.2bn (£2.1bn) which Brussels believes should be spent over the 1992-96 period to stop states along the southern and castern shores of the Mediter-



Glanni De Michelis: seeks to raise development aid

ranean falling further behind

The Mediterranean flavour of the foreign ministers' meeting will be further enhanced this evening when Malta becomes the second island this month to apply for full EC membership; last week Cyprus put in its more problematic bid to enter the group.

Both applications effectively go into the Community in-tray marked "post-1993", the intended date for the single EC market. Only in September will foreign ministers formally ask the Commission for an opinion on the Cypriot and Maltese applications, and the Commission predicts it will take a good two years to produce this.

World Bank turns development spotlight on poor

Report highlights links between poverty, population and the environment, writes Peter Montagnon

WORLD BANK GROWTH PROJECTIONS (%)

Real GDP Growth

1980-89 1989-2000*

two-pronged strategy for promoting development by attacking the plight of the world's poorest people is proposed by the World Bank in its annual World Development Report,

published today. Policies in the developing world to foster labour-intensive growth while providing a widespread array of social services targeted at the poor in the field of education and basic health care could reduce the numbers living in absolute poverty by more than 300m between now and the end of the century, the report says.

More than 1bn people in developing countries are condemned to live on an income of less than \$370 (£206.70) a year, it adds. Some 30m children die each year before the age of five from causes that would not normally be fatal in rich countries. About 110m children worldwide, or one in five of the relevant age group, receive no primary education. Although it describes these

ment policy in this year's The report is published at a time of growing international awareness of the inter-relationship between the plight of the

statistics as "shameful", there

is more than mere sentiment

behind the Bank's decision to

concentrate on poverty as the

central objective of develop-

poor and two other problems of global significance - the environment and population, both of which are often made more acute by material depri-

Although living standards have risen, even for the very poor, in the past 10 years, their plight has frequently been overlooked as aid donors have concentrated spending on projects designed to bring them political and commercial advantage. For their part, developing country governments have sometimes neglected the poor as they sought to grapple with economic shocks, such as the debt crisis of the 1980s.

designed to promote economic adjustment and growth does not necessarily conflict with the objective of providing basic welfare for the poor, however. "Both parts of this strategy are essential. One without the other is not sufficient," said Mr Stanley Fischer, World Bank chief economist, in a presentation of the report to the press None the less, developing

country governments also need to provide well-targeted transfers and safety nets to support the most vulnerable among their populations, such as the sick and old.

The report suggests that

high growth alone cannot lift

TRUCK OF THE YEAR

the poor out of their plight, nor can policies designed to redistribute wealth. Instead, growth must aim to develop labour-intensive industries in which the poor have a part to play. The adoption of policies At the same time, govern-

Industrial countries

Developing countries

(Sub-Saharan Africa)

Eastern Europe

Latin America

*forecast t estimute

ments must invest in the human capital of the poor through social services designed to improve their immediate well-being and take advantage of newly-created job opportunities.

his can often be done without recourse to A increased budgetary spending, even though budgetary resources may have to be re-allocated in ways that are politically sensitive as they can be to the detriment of the better-off.

The report cites Indonesia and Malaysia as two countries that acted decisively during the 1980s to stabilise their

economies and establish a framework for economic restructuring that was fully consistent with the continued reduction of poverty. But it says that Ghana in the 1970s made the mistake of taxing farm output to the tune of 63 per cent while providing only 3 per cent of value-added in sup-

Change Per Capits

1989-2000*

Source: World Bank

1980-89

As a result its farm output fell by more than 1 per cent a Besides low taxation of farm-

ing, the poor can also be helped by reducing labour restrictions, such as minimum wages, which tend to reduce the formal labour force and add to the informal sector. Make-work programmes such as those introduced by Chile can help mitigate the effect of recession while improving the infrastructure,

the report says. Food subsidies

can be targeted to ensure they

do not confer greatest benefit on the better-off. This can be done without neglecting fiscal discipline, as current spending is often badiy

directed. In the area of social welfare, for example, spending is often skewed away from the poor. Governments put too much money into high-level training and hospitals while neglecting primary health care and educa-tion. This is especially so in Africa, where budgets are not

growth. Although developing countries must bear a heavy responsibility for alleviating poverty. the developed world can help by limiting trade protection and targeting its aid.

keeping pace with population

The bulk of concessional lending to the poorest countries through the World Bank's International Development Association soft-loan affiliate is reserved for countries making a conscious effort to alleviate

Bank should place greater emphasis on this criterion in its normal lending, as should national aid donors.

In 1988 about 41 per cent of all western official aid went to middle-income countries. Reducing poverty "is usually far from the most important" motive of donors. But aid could be increased as well as better

spent, it adds, noting that a cut of just 10 per cent in Nato defence spending would pay for a doubling of aid.

This year's report forgoes the usual high- and low-level scenarios for world economic growth. Instead it forecasts that the industrial world will grow at an average real rate of 3 per cent in the 1990s. This would permit developing country growth of 5.1 per cent, rate high enough to alleviate much poverty in south Asia, one of the regions in which it is heavily concen-

But per capita income in sub-Saharan Africa would grow by only 0.5 per cent, and the report projects that the numbers living in absolute poverty in this region could grow by nearly

"Only through exceptionally bold action by the international community and the governments of the region can this The report suggests the [increase] be avoided," it says. The target of reducing the numbers living in poverty and preventing any increase in

Africa is "ambitious, but achievable" by the end of the century. The costs would be "massively outweighed by the advance in human welfare that a sustained attack on poverty would bring." Editorial comment, Page 20

Brazil seeks to halt coffee talks

BRAZIL is to request the cancellation of a key meeting of the International Coffee Organisation (ICO) scheduled for July 23, Mr Joao Cunha, a senior economy ministry official, said on Friday, John Barham writes from São Paulo. Mr Cunha's statement ends a

week of speculation that Brazil

coffee export quota system that collapsed a year ago. However, Mr Cunha said Brazil's position in relation to the quota agreement was to not participate until producers, roasters and exporters had been consulted. The Government plans to base its policies on a consensus of the local cofmight support a return of the fee trade's views.

WORLD ECONOMIC INDICATORS

	TRADE STATISTICS					
UK (£bn)	exports imports balance	May. '90 6.923 10.445 -1.522	Apr.'90 8.647 10.451 -1.804	Mar. '90 8.399 10.485 -2.086	May.'89 7.629 9.599 -1.970	
France (FFrbn)	exports	96.788	94,420	100.327	93.826	
	imports	102.470	98,800	101,436	99.615	
	balance	-5.682	-4,380	-1,109	-5.789	
Japan (US\$bn)	exports	21.485	20.759	23.652	21.836	
	imports	18.191	16.827	17.211	15.983	
	balance	+ 3.294	+ 3.932	+ 6.441	+ 5.853	
US (\$5n)	exports imports balance	Apr.'90 32.307 39.247 -6.940	Mar.'90 33.494 41.856 -8.362	Feb.'90 31.818 37.916 -6.098	Apr. 89 30.969 38.615 -7.646	
W. Germany (DMbn)	exports	53.90	55.50	54.10	52.80	
	imports	44.80	43.50	42.90	41.90	
	balance	+ 9.10	+ 12.00	+11.20	+ 10.90	

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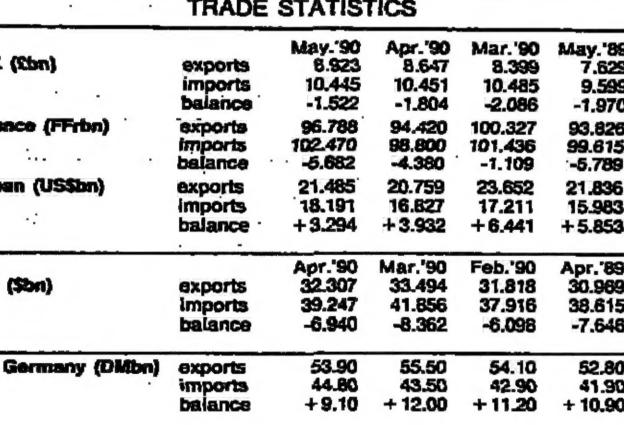
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SHAREHOLDERS' MEETING

An Extraordinary and Ordinary Meeting of STET Shareholders was held on 28 June 1990, at the second call, under the chairmanship of Michele Principe.

At its extraordinary sitting the meeting decided as follows: to split the ordinary and savings shares which make up the share capital of

Lit. 3,680 billion by replacing each share of par value Lit. 2000 with two new sha-

res, of the same category, with par value Lit. 1000; to increase share capital from Lit. 3,680 billion to Lit. 4,600 billion by issuing 630,620,000 ordinary shares and 289,380,000 savings shares, all of par value Lit. 1000 and all valid from 1 January 1989. These bonus shares to be assigned to shareholders in the ratio of one new ordinary or savings share for every four shares of the same category held after the aforementioned splitting. There to be no expense to shareholders.

At its ordinary sitting the meeting:

approved the Report of the Board of Directors and the Financial Statements at 31

December 1989, which close with a net profit of Lit. 734,523,184,175; decided to distribute a dividend of Lit. 100 gross per ordinary share and Lit. 120 gross per savings share to holders of the 4,600 million shares of par value Lit.

1000 which make up the share capital; appointed Arthur Andersen & Co. s.a.s. to review and certify the Company's financial statements and the Group's consolidated financial statements for the years 1991-1993.

SHARE SPLITTING, BONUS ISSUE, PAYMENT OF DIVIDEND

The operations of splitting, with substitution of the certificates currently in circulation, and of bonus share issue may be carried out from 16 July to 28 September 1990 at the Company's office, at the usual appointed Banks and also through Monte Titoli S.p.A. Subsequently these operations may be carried out at the Company's office only.

The dividend for the financial year 1989 will be payable from 16 July 1990 at the Company's office, at the usual appointed Banks and also through Monte Titoli

As from 16 July 1990 Stet shares will be quoted ex-splitting, ex-bonus issue and ex-dividend.

Bonus rights will be traded on the stock exchange from 16 July to 6 August 1990.

NOTICE OF REDEMPTION To the Holders of

Mitel Corporation

(formerly Mitel Corporation (Nederland) International Finance B.V.)

7% Convertible Subordinated Debentures Due December 1, 1997

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Indenture dated as of December NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Indenture dated as of December 1, 1982, as supplemented between Mitel Corporation (formerly Mitel Corporation (Nederland) International Finance B.V.) (the "Corporation") and The Chase Manhattan Bank (National Association), as Trustee, all of the outstanding principal amount of the 7% Convertible Subordinated Debentures Due December 1, 1997 (the "Debentures") have been called for redemption on August 15, 1990, (the "Redemption Date") at a redemption price of 100% of the principal amount thereof (the "Redemption Price"), together with accrued interest to the Redemption Date of \$49.39 per \$1,000 principal amount of Debentures.

As an alternative to redemption, Debentures may be converted into fully paid and non-assessable common shares of the Corporation, at the conversion price of U.S. \$31,50 per common shares, which is a conversion rate of 31.746032 common shares per \$1,000 principal amount of Debentures. No fractional common shares will be issued upon conversion but if a conversion results in a fraction of a share, the

common shares will be issued upon conversion, but if a conversion results in a fraction of a share, the Corporation will pay to the holder a cash edjustment in respect of such fraction in an amount equal to the same fraction of the closing price per common share on the last business day prior to the date the Debentures are received by the Trustee. The right to convert the Debentures will terminate at the close of business on the Redemption Date.

On the Redemption Date, the Debentures will become due and payable at the Redemption Price. Payment of the Redemption Price on the Debentures will be made at any time on or after the Redemption Date upon presentation and surrender of the Debentures to the Trustee at the appropriate address stated

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On and after the Redemption Date, interest on the Debentures will cease to accrue. To exercise the conversion privilege, the holder shall deliver any Debentures to be converted to any of the addresses mentioned above, pursuant to the procedure set forth in the Debentures

In accordance with the Interest and Dividend Tax Compliance Act of 1983, payers of Debentures are required to withhold 20% of the payment upon redemption to certain Debentureholders who have not returned a correctly completed Form W-9 entitled "Payer's Request for Taxpayer Identification Numbers". If you need a copy of the Form W-9, you should be able to obtain one at your local bank or IRS service center. If you have not previously furnished us with such Form, please forward a correctly completed Form W-9 to the appropriate address above together with your Debentures to avoid any such withholding and

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INTERNATIONAL NEWS

BUSINESS INVENTORY POINTS TO REMARKABLE RECOVERY

European industry 'faces future with confidence'

EUROPEAN industry has made a remarkable recovery. has restructured itself and is viewing the future with confidence, according to a new inventory of EC businesses produced by the European Commission, Lucy Kellaway reports from Brussels.

The study, of more than 1,000 pages, shows investment in the past decade has risen by 30 per cent, and is now by far the most important source of GNP growth, while industrial production is up by 20 per

cent, and growing at between 4 and 5 per cent a year. In an exhaustive analysis of 165 sectors, the study traces the major structural change that has taken place in most industries, spurred by growing competition from the Far East, and encouraged by the single market. The changes have consisted of:

more sparing in their use of

increase their competitive

energy and raw materials;

 rationalisation: companies have been cutting their workforces, investing in capital-saving equipment and becoming

• greater flexibility in terms of production techniques; employing outsiders to do tasks once done in-house, such as cleaning and accounting: a wave of joint ventures and mergers to help companies get into new markets or

a change in product range, with some industries (textiles and chemicals, for instance reducing the number of products they make, while others

have been diversifying into new products to increase protection against business

An analysis of the 70 biggest Community companies discloses that, although they have made great strides in productivity, they are still less profitable than their US counterparts. Net profit as a percentage of turnover in Europe was 4.2 per cent in 1988, against 1.2 per cent in 1983. However, the comparable

figure for the US is about 1.5

percentage points higher. During the decade, the EC improved its trade balance with the rest of the world. with machinery and chemical products the two sectors making the largest contribution to the improvement.

The EC continued to draw in foreign investment, mainly from the US and Japan. although where more than 60 per cent of direct US investment in the EC went into manufacturing, the figure for Japan was just 16 per cent.

Air transport VAT: an EC minefield

Few sectors present more intractable problems, writes Paul Abrahams

HE European Commission's efforts to tackle the thorny issue of differing value-added tax rates ahead of 1992 has entangled it in a political and technical minefield.

In few sectors is the problem more intractable than air transport, where an attempt to simplify current rules is being bogged down in ever-greater

complexities. "Fiendishly difficult" is how one Brussels official described the challenge. One EC airline was less diplomatic, accusing the Commission of "another crazy muddle".

The theory is simple enough. The Commission wants to align VAT rates in different member states closely to prevent distortion of competition or patterns of trade. The programme envisages harmonisation of VAT on all transport, by air, rail or sea. Passenger transport would fall into the 4-9 per cent band of tax, freight in the 14-20 per cent band.

At present, VAT is charged on domestic flights at varying levels in various EC states. Belgium and Luxembourg are small enough to dispense with domestic flights, while in the UK, Ireland and Denmark, air travel is either exempt from VAT or zero-rated. In other countries, the rate

varies from 5.5 per cent to 18

per cent, with no VAT on flights to destinations outside the EC. Collecting VAT on domestic flights is not too hard just now, since a single rate is paid to a single authority. But EC airlines claim that after 1992, when intra-Community flights will be classified as domestic, consequences could be catastrophic. One main complaint is that the proposals would dislocate an established pattern of competition, generally placing EC carriers at a disadvantage to non-EC competitors.

They say one consequence would be to distort traffic flows. Passengers travelling from Frankfurt to Faro, Portugal, would find it cheaper to fly first to a non-EC hub, such as Geneva, then to Faro, rather

than travel directly. Passengers living in Munich would find it cheaper to drive to Zurich rather than start from their local airport. Another blow would be the proposed abolition of duty and tax free sales at EC airports, making Swiss and Austrian airports more attractive to travellers.

A similar distortion would be created, the airlines say, by differing tax-rates for direct flights to EC destinations and those with stop-overs. A flight from New York to Rome would be cheaper than the same trip including an Amsterdam stop-

Some airlines and airports trying to capture more passengers by setting up hub and spoke feeder routes could find their inter-continental traffic severely hit. The airlines argue that VAT on intra-EC travel would make non-EC holiday destinations more attractive for consumers. Turkey, say, could thus be a better bargain for holidays than Greece. Locations of business conferences might also be affected.



THE EUROPEAN MARKET

Introduction of VAT could lead to variations in ticket prices for the same journey between two EC cities, since VAT on each ticket would be levied in the country of departure. Under current proposals, the difference could be up to 5 Another problem for the air-

lines is the threat of extra administration overheads. Take a simple return journey between London and Rome. The principle of charging the rate of the departure country applies also to return trips. This means the travel agent would have to calculate the British VAT for a flight from London to Rome, then make a separate calculation in lira for the Italian tax on the return journey, then convert that sum from lire to sterling.

Calculations for a complicated trip would be more difficult. If the passenger changed his itinerary, VAT would have to recalculated. The cost of

running such a system would be immense, says the Association of European Airlines (AEA) representing region's 23 biggest airlines. It adds that airlines already face higher airport charges because of abolition of duty and taxfree sales, and any airline deregulation benefits could be nul-

KLM Royal Dutch Airlines expects to raise the price of intra-Community flights by 14 per cent resulting from loss of tax-free sales income. The AEA says it will prove hard, if not impossible, to ensure non-EC airlines pay the VAT due on intra-Community tickets paid for outside the EC.

More than 40 such airlines enjoy the right to operate intra-Community flights, and there are no proposals on how VAT might be collected from them. The AEA says that if non-EC airlines failed to pay VAT, they would have a advantage over VAT-paying EC air-The AEA claims passengers

will find themselves paying

more than just extra VAT as a result of its standardisation for the single market. It argues the cost of lost traffic and administration costs, along with VAT, will boost the cost of air tickets in countries at present zerorated to at least 11 per cent, perhaps up to 15 per cent. The Council of Ministers has been wrestling with these issues for almost three years. Unless the Commission decides to revise its proposals, progress to date suggests the EC will

still be arguing over them well

beyond 1992.

Warning on Uruguay Round talks

By Peter Montagnon, World Trade Editor

THE URUGUAY ROUND of multilateral trade talks-will move into crisis if the EC does not support the de Zeeuw proposals for negotiating farm reform, including special focus on reducing export subsidies. Australia's Trade Negotiations Minister warned at the week-

The testing time would come at the Uruguay Round Trade Negotiating Committee (TNC) session, which is due to start in Geneva next week, Mr Neal Blewett, the minister, said. The de Zeeuw proposals, setting out the basis for negotiation in the core areas of export subsidies, internal support and import barriers, were "commended" but not endorsed byindustrial country leaders at

the Houston summit last week. Mr Blewett said this meant that they could not now be disowned. If any participant tried to alter them, the whole would unravel, and the Uruguay Round, which depends on the farm talks for its momentum would be stalled.

The Cairns Group of inde pendent farm exporters, chaired by Mr Blewett, has adopted the de Zeeuw proposals despite certain reserva-

Prising a similar endorsement from the European Community would be the main task in Geneva next week. Only later would detailed

negotiations on the aggregate measure of support and the tariffication of import barriers begin.

UK NEWS

NEWS IN BRIEF

Britain leads the world at

BRITONS lead the world in gorging themselves on snacks, according to a report published today by Euromonitor, a market analyst. The annual intake per head is 23 pounds of biscuits and 16 pounds of savoury snacks such as crisps and nuts. By consuming the equivalent of 60 packets of biscuits and 280 bags of crisps for each adult and child, the UK out-eats Australia and the US - second and

third respectively in both product categories. Although Britain is unlikely to lose its pole position, Euromonitor expects the strongest growth in the world's 10 largest snack markets to be achieved in Italy, which cur-rently ranks fifth in biscuits and last in savoury products.

Biscuits and Savoury Snacks: Euromonitor, 87-88 Turnmill

Skills shortage

Street, London EC1M 5QU.

MANUFACTURING companies in Birmingham are finding increased difficulties in attracting staff, according to a survey by the Birmingham Chamber of Industry and Commerce. Some 83 per cent of manufacturers responding to the survey reported difficulties in recruiting staff over the past three months. The figure represents a 16 per cent increase

Manx bank pay-out DEPOSITORS in the collapsed Savings and Investment Bank will today be able to collect their first pay-out from the bank's liquidators, eight years after the bank's failure. The bank, based on the Isle of Man, collapsed with £42m debts and

from the previous quarter.

The liquidators have recovered £13m so far. Recovery costs are £4.7m. This first interim dividend is 15p in the pound with a deduction of 2.87p in the pound for 400 depositors who agreed to support legal action against the Manx Government for damages. There may be a further dividend.

2,000 creditors.

Knowsley by-election MR Leslie Byrom is to fight the seat of Knowsley South for the Conservative Party. The by-election is caused by the death last month of Mr Sean Hughes, the Labour MP whose majority at the 1987 general election was more than 20,000.

Commercial vehicle sales in June 22% eating snacks down on last year

By Kevin Done, Motor Industry Correspondent

SALES OF new commercial vehicles in June were 22.3 per cent lower than a year ago, the steepest monthly fall of the present recession. UK commercial vehicle sales began to fall sharply in the final quarter of last year. The

drop into recession was led by a steep fall in sales of new In recent months, however, the decline in sales of light commercial vehicles has also

begun to gather pace. In June alone, new commercial vehicle sales totalled 22,046 compared with 29,668 a year ago, a drop of 22.3 per cent, according to figures from the Society of Motor Manufacturers and Traders (SMMT). In the first six months, sales fell by 16.3 per cent to 164,574

from 196,630 a year earlier. Sales of imported vehicles have fallen more heavily and accounted for 38.8 per cent of the UK market in the first half of 1990, compared with 40.4 per cent a year ago.

In June alone, sales of vans up to 1.8 tonnes gross vehicle weight, largely car-derived vans and microvans, were 13.8 per cent lower than a year ago. Sales of medium vans from 1.81 to 3.5 tonnes, chiefly panel vans and pick-ups, fell by 26.7 per cent, while sales of trucks (above 3.5 tonnes) were 30.4 per cent lower than a year ago.

For the first half of the year. UK new truck sales were 27.9 per cent lower at 27,203. The heavy truck segment (above 15 tonnes) was worst affected. with a fall of 34.9 per cent. DAF, the Dutch truck maker

whose Leyland DAF subsidiary is the leader of the heavy truck segment in the UK, has already given a warning that it has made losses in the first half of

ERF, the last remaining publicly quoted independent truck maker in the UK, has also reported that it is currently operating at a loss in the face of the recession.

The biggest sales declines this year have been suffered by the Swedish heavy truck makers Volvo and Scania, along with the ERF; Seddon Atkinson, a subsidiary of Enasa of Spain; and Foden, a subsidiary of Paccar of the US. Their sales volumes have all dropped by more than 40 per cent in the

first six months. Iveco Ford and DAF, the UK truck market leaders, have both outperformed the falling market, helped by the strength of their dealer networks. Iveco Ford has increased its share of the truck market to 24.9 per cent from 22.4 per cent

a year ago. DAF has raised its market share to 22.5 per cent from 20.8 per cent.

UK	COM	MERCIA	L VEH	CLE R	EGISTR	ATIONS
				JUNE 1		

	Volume (Units)	Volume Change (%)	Share (%) Jan – Jun 90	Share (%) Jan – Jun 89
Total Market	164,574	-16.30	100.00	100.60
Imports'	63,780	- 19.74	38.75	40.41
Small vans (up to 1.6	tonnes)			• • • •
Total	53,427	-12.55	100.00	100.00
imports	12,627	-28.24	23.63	28.80
Ford	18,144	- 10:53	33.96	33.19
Vauxhall (GM)	16,337	- 1.89	-30.58	27.25
Rover	8,148	- 19.64	15.25	16.60
Peugeot (Incl.	3,713	-17.19	6.95	7.34
Citroen)				
Renault	2,458	-21.84	4.60	5.15
Medium Vans (1.81 - 3	.5 tonnes)			
Total	72,147	- 16.63	180.00	100.00
Imports	32,981	- 18.21	45.71	46.80
Ford	34,626	- 18.14	47.99	, ,
Leyland DAF (DAF)	7,857	-6.63		48.88
Renault	5,019	-29.79	10.89	9.72
Peugeot (incl.	4,204		6.96	8.26
Citroen & Talbot)	7,204	-8.53	5.83	-531
Mercedes-Benz	3.846	-40.00	-	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Vauxhail (GM)		- 19.3 9	5.33	5.51
Nissan	3,757	- 14.46	5.21	5.08
Missan	3,058	-35.01	4.24	5.44
Trucks (over 3.5 tonnes	5)			
Total	27,203	-27.89	100.00	106.00
Imports	10,785	-31.38	39.65	41.67
veco Ford	6,774	- 19.70	24.90	22.36
Leyland DAF (DAF)	6,125	-21.84	22.52	20.77
Mercedes-Benz	4,323	-24.05	15.89	15.09
Volvo	2,399	-42.04		
Renault (RTI)	1,620	-27.09	8.82	10.97
,,	.,025	-27,09	5.96	5.89
Of which Heavy Trucks		es)	· · · · ·	
Total	13,791	-34.89	100.00	106.00
Leyland DAF (DAF)	3,145	-30.17	22.80	21.26
Valva	2,074	-45.85	15.04	18.08
veco Ford	1,739	-14.33	12.61	,= 9.58
Mercedes-Benz	1,704	- 25.03	12.36	10.73
ERF	1,299	-44.51	9.42	11.05
Scania	1,190	-42.51	8.63	9.77
	•	Table 1	. 0.00	441

"includes buses and light four wheel drive utility vehicles.

Source: Society of Motor Manufacturers and Traders and Industry and

Lloyd's syndicate expected to quit | Employers back

By David Barchard

MARINE SYNDICATE 185, one of the largest syndicates at Lloyd's, is expected to cease underwriting at the end of this

The move is mainly because

of heavy losses on the Piper Alpha North Sea oil rig disaster two years ago in which 167 men died after a fire broke

Claremount Underwriting Agency, managing agency for the syndicate, is believed to have warned its members that there are unquantifiable losses relating to Piper Alpha and so the £52m Marine Syndicate 185 should be closed off into Syndi-

That means the syndicate will function after the year's end only to handle claims on past policies and will not take new premium business.

The move became inevitable after members' agents for the syndicate warned that, because of growing losses, they could not support it next year without additional underwriting to cover it against the effects of claims arising out of Piper

The marine insurance market has been affected by a series of catastrophes in the last few years, including Piper Alpha, the Exxon Valdez oil spill, and Hurricane Hugo. Losses are known very quickly in the marine insur-

Alpha.

ance market. Thus a series of claims from disasters leaves syndicates paying out on claims with little or no investment income coming in.

One insurance industry figure said vesterday: "You have to make a value judgement in

these circumstances about whether you should pull out or take a risk with new busi-

"It is not uncommon to

decide to close off a syndicate," Pressure from members' agents has become increasingly common since the Hay Davison reforms enabled members of syndicates and underwriters to see each other's fig-Mr Oliver Carruthers, editor

of the Digest of Lloyd's News. said yesterday said: "It is encouraging for the Names [members] at Lloyd's that agents are prepared to show their strength and pull out syndicates for sound economic reason as opposed to leaving Names lingering on in syndi-cates where they risk getting

common state pension age

EMPLOYERS believe that the Government should equalise men and women's pension ages in the state pension scheme at 63, writes Eric Short.

That was one of the findings in a survey into 80 companies attitudes towards pensions and retirement practice undertaken by Enterprise Dynamics. Most employers, it finds, have introduced or plan to

introduce a common pension retirement age. The survey also shows that employers are softening their attitude towards personal pensions and 13 per cent comprib-

ute more than the legal minimum. Retirement and Pensions Practice 1890. Enterprise

Dynamics, 9 Sapoy Street, London WC2R OBA 175

UK NEWS

Interest rates fail to curb rise in retail sales volume

By Patrick Harverson, Economics Staff

THERE was a g rise in the number of British retailers reporting higher annual sales volumes last month, according to the latest Financial Times/ CBI distributive trades survey. despite Government Interest rate policies designed to curb consumer borrowing and

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The Government and UK financial markets will be anxlously awaiting today's retail sales data for June to see if the trend is confirmed.

If today's statistics show a further rise, doubts will be east on the Government's ability to rein back spending through its high interest rate policy. Although the survey, published today, suggests that sales growth continues to alow down over the longer term.

recent government statistics have indicated that consumer spending and personal borrowing remain unexpectedly resilient in the face of high interest rates. City of London analysts are expecting the Central Statistical Office figures today to show June retail sales between 0.5 and 1 per cent lower than 12 months earlier. In May, retail sales were 1.4 per cent up on a year before.

In the FT/CBI survey, 52 per cent of the 296 retailers polled reported higher sales last month compared with a year before, while only 25 per cent sald sales were lower. The best sales increases were reported by retailers of confectionery. tobacco and newspapers, while mail order companies also did well in June.

In contrast, shops selling durable household goods, spccialist foods, footwear and leather goods said sales volumes in June were below the levels of a year ago.

Although a majority of retailers expects to see further sales growth in July, the CBI believes the pattern over recent months confirms that consumer spending is slowing. if only gradually, under the weight of high interest rates. Mr Nigel Whittaker, chair-

man of the survey panel, said: "Retailers reported slow, steady year-on-year sales increases in June with no immediate prospect of an improvement in trade. Expectations point to only modest sales growth in July." Details Page 6

'Poor have become poorer since 1979'

By Rachel Johnson

THE OVERALL tax burden has risen 13 per cent, the rich have got richer, and the poor poorer since 1979, the Fabian Society, the left-wing think tank, says today.

In the second edition of Income and Wealth in the 1980s, Mr Thomas Stark, an

academic, unearths statistics hidden in government reports to contradict official claims that the poor have done well out of economic growth.

The report says the top 10 per cent of households' share of all income has grown by 5 percentage points since 1985;

anders, London's oldest dis-

count house, said the area in

which London was most vul-

nerable to competition was in the origination and trading of

the shares of large companies. The Loudon Stock

Exchange's Seaq International

system, a screen-based price

dissemination system for

non-UK stocks, had a head

start in international share

trading. However, unless Lon-

don improved its settlement

and other back-up systems, it would begin to lose ground to

unregulated systems such as

Instinct, owned by the UK

information group Reuters, or

even the IBIS system just

introduced in West Germany.

that the next three tenths have maintained their share; but all those of the lower groups have declined. In real terms, today's report claims, the income of the top 10 per cent has increased by 43 per cent while the bottom 40 per cent suffered a decrease of up to 8 per cent.

Government Labour to mend fences in the US fights power share plan

By David Thomas, Resources Editor

THE GOVERNMENT is opposing plans by the 12 regional electricity companies to take substantial equity stakes in independent generators after privatisation.

Most of the 12 regional companies have announced plans to take a stake in the new wave of independent generators after their privatisation. scheduled for November. Last week, for example,

South Wales Electricity, London Electricity and Southern Electric disclosed their interest in taking an equity stake in a £450m power station in Wales planned by Texaco, the flight home. US-based oil group.

Equity participation by regional electricity companies has been seen as a way to encourage a strong independent generating sector. It would guarantee that the independents could sell all their electricity, ensuring they could raise finance in the City.

The Department of Energy has told the regional companies that it sees no need for them to take equity stakes in independent generators. It argues that independent generators will be able to secure City backing on the basis of long-term supply contracts with the regional companies.

Michael Cassell and Peter Riddell on Mr Kinnock in Washington advisers would still prefer Mrs Thatcher to remain in office.

R NEIL KINNOCK, the leader of Britain's Opposition Labour Party, had little cause to celebrate his 45th birthday as he flew back overnight to London in March 1987, hours after meeting President Ronald Reagun in the White House.

Mr Kinnock had gone to see the US President to explain Labour's policy of unilateral nuclear disarmament to the US Administration. The visit ended in a public relations and political disaster.

Today he meets US officials and tomorrow he sees a new President, with the wind of change in Europe and the Soviet Union firmly behind him. He expects a happier

For Labour, the visit is primarily intended for domestic consumption. It is being made to reinforce an image that Mr Kinnock is increasingly accepted internationally as a potential prime minister. It is unlikely to make much

impact in Washington, where the Labour leader is mainly known for having made the speech which Senator Joe Biden plagiarised in his unsuccessful campaign for the Democratic presidential nomination in 1987.

Moreover, Labour would be mistaken to confuse President Bush's characteristic politeness for support. He and his despite occasional irritation with her style of diplomacy.

Indeed, while State Department and National Security Council staff have started to prepare for the possibility of a Labour victory, their political superiors believe that Mrs Thatcher is still likely to win the next election.

But for this visit there will not be any semi-public indication by the Administration of any partiality. President George Bush is too smart to alienate a possible head of government of a close ally. In 1987, a general election

was approaching. Labour's defence strategy hung heavily round its neck and Mr Kinnock was anxious to win endorsement wherever he could for a strategy he would subsequently abandon.

Some of his closest colleagues advised against going to see a President who enjoyed a unique relationship with Mrs Thatcher; he would be "stitched up" and his visit would only provide further pre-election ammunition for the British Government. The warnings proved correct

and the White House was unwilling to do him any favours. Mr Kinnock and Mr Denis Healey, Labour's foreign policy spokesman, emerged after a brief meeting, to claim



Kinnock: wants US friends they had received a sympathetic hearing for their case. They told President Reagan Britain believed it could assist the nuclear arms reduction

process by dismantling unconditionally its own nuclear forces and by insisting all US nuclear weapons went home. Almost simultaneously, however. Mr Marlin Fitzwalter, the White House spokesman, was telling the press that Labour's policy would undermine the unity of the North Atlantic Treaty Organisation alliance. Mr Kinnock and Mr Healey

returned home to a chorus of "told you so's" and went on to lose the June election. Today, the Labour leader will deliver a speech to the Council on Foreign Relations, explaining the shift in Labour's views on defence and promoting its pro-European credentials.

By Wednesday evening, Mr Kinnock will have seen Mr Bush and other senior Administration officials, as well as members of the Senate Foreign Relations and House Foreign Affairs Committees. They will want to hear what Mr Kinnock has to say and to question him on key issues of policy, such as the siting of nuclear weapons.

When he sees Mr Bush tomorrow, this time accompanied by Mr Gerald Kaufman. Labour's spokesman on foreign policy, he will be armed with a

new defence policy. The President will hear that Labour intends to retain nuclear weaponry until it can be negotiated away and also backs a "no first use" nuclear strategy that now comes close to Nato's redefined "weapons of last resort" approach. The party's long-held vision of a "peace dividend" is also one increasingly shared by other Nato partners.

Mr Kinnock's visit will be different from last time because the Administration and, to a lesser extent. Congress are aware that Labour's foreign and defence policies have changed, in a much more acceptable direction for the US.

de Zeeuw propositione basis in s Warning on rules threat to London as finance hub

By Stephen Fidler, Euromarkets Correspondent

LONDON IS likely to lose more France and which owns Alexground as a financial centre because of the Financial Services Act, Mr Ian Hay Davison, chairman of the stockbrokers Laing and Cruickshank, told accountants meeting in Brus-

Mr Hay Davison, addressing the Institute of Chartered Accountants of England and Wales, said the rules on the capital that securities firms are required to hold should be less complex. The Securities and Investment Board must reorganise its rule book, explain it and implement it, he said. The board oversees the capital markets.

Mr Hay Davison, whose firm is owned by Crédit Lyonnais of

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS ("EDR'S") IN FUJITSU LIMITED

NOTICE IS HEREBY GIVEN that FUJITSU LIMITED paid a dividend of Y5.00 gross per share on 2nd July, 1990, to Shareholders of record date 31st March. 1990. This dividend has been converted to U.S. Dollars and amounts to

Accordingly, Kleinwort Benson Limited as Depositary informs holders of EDR's that they should claim their dividends by presenting Coupon No.22 on or after 16th July, 1990, at the office of the depository KLEINWORT BENSON LIMITED, 20 Fenchurch Street, London, EC3P 3DB: MORGAN GUARANTY BANQUE INTERNATIONALE A LUXEMBOURG S.A., 2 Boulevard Royal,

Coupons must be left for 3 clear business days for examination and may be presented on any week day (Saturday and public holidays excepted) during

Japanese withholding tax at the rate of 20 per cent will be deducted from the gross value of all dividends paid unless the EDR holder lodges, in a form acceptable to the Depositery an affidavit of residence in a country having a tax treaty or agreement with Japan providing for a lower rate of withholding tax in

The difference between the amount of withholding tax deducted and the standard rate of income tax payable in the United Kingdom will also be deducted from all dividends paid in the United Kingdom unless holders of EDR's furnish the Depositary with the usual affidavits of non-residence in the KLEINWORT BENSON LIMITED London, Depositary

CASSA DI RISPARMIO DELLE PROVINCIE LOMBARDE LONDON BRANCH Japanese Yen 10,000,000,000 Floating Rate Depositary Receipts due 1993

which case such lower rate will be applied.

In accordance with the terms and conditions of the Receipts, notice at hereby given that for the interest period from 13th July 1990 to 14th January 1991, being the south Interest Payment Date (as defined in the terms and conditions), the Receipts will carry an interest rate of 7.05% per annum. Interest payable on 14th January 1991 will amount to Yen 357,329 per Yen 10,000,000 Receipt.

The Mitsui Taiyo Kobe Senk Limited Dated: 13th July 1990

LEGAL NOTICES

ALBINDENE LIMITED

tion 46(2) of the insolvency Act 1965, that a above named company will be held at:- St Andrew's House, 20 St Andrew Street, Lonpurpose of having laid before it a copy of the report prepared by the administrative receivers under Section 45 of the said Act. The meeting may, if it thinks it, establish a comnimee to exercise the junctions conferred on creditors' committees by or under the Act.

they have delivered to us at the address shown below, no later than noon on 24 July 1990, writion details of the debts company, and the claim has been duly admitted under the provisions of Rule 3.11 of the inselvency Rules 1986, and

there has been lodged with as any proxy which the creditor intends to be

Please note that the original proxy signed by or on behalf of the creditor must be fodged at the address mentioned, photocopie

C J HUGHES & J F POWELL Joint Administrative Receivers Cork Guily Shelley House 3 Noble Street London EC2V 7DQ

Creditors may obtain a copy of the report, free of charge, on application to the adminisiralive receivers at the address shown

PORTUGUESE **GOVERNMENT 3% EXTERNAL DEBT 1902** 1902 and the Decree of the 9th August of the same year the Sinking Fund

Instalments due 1st July 1990 have been affected by the Junta do Credito Publico in Lisbon as follows: 1st SERIES BONDS Purchases to the market consisted of 5

bands of \$20.00 totalling £100,00. The balance of the instalment was made up by the drawing in Lisbon of 1550 bands of \$20,00 each and 300 bonds of £100.00 each, having a total value of 961,000,00 2nd SERIES BONDS

Purchases in the market consisted of 2 bonds of £19,90 totaling £39,80. The balance of the instalment was made up by the drawing of 275 bonds of £19.90 and 10 bonds of £99.50 each, having a total perpinal value of 08,487.50. In accordance with the terms of the General Bond, bonds of this series are repayable at a premium of

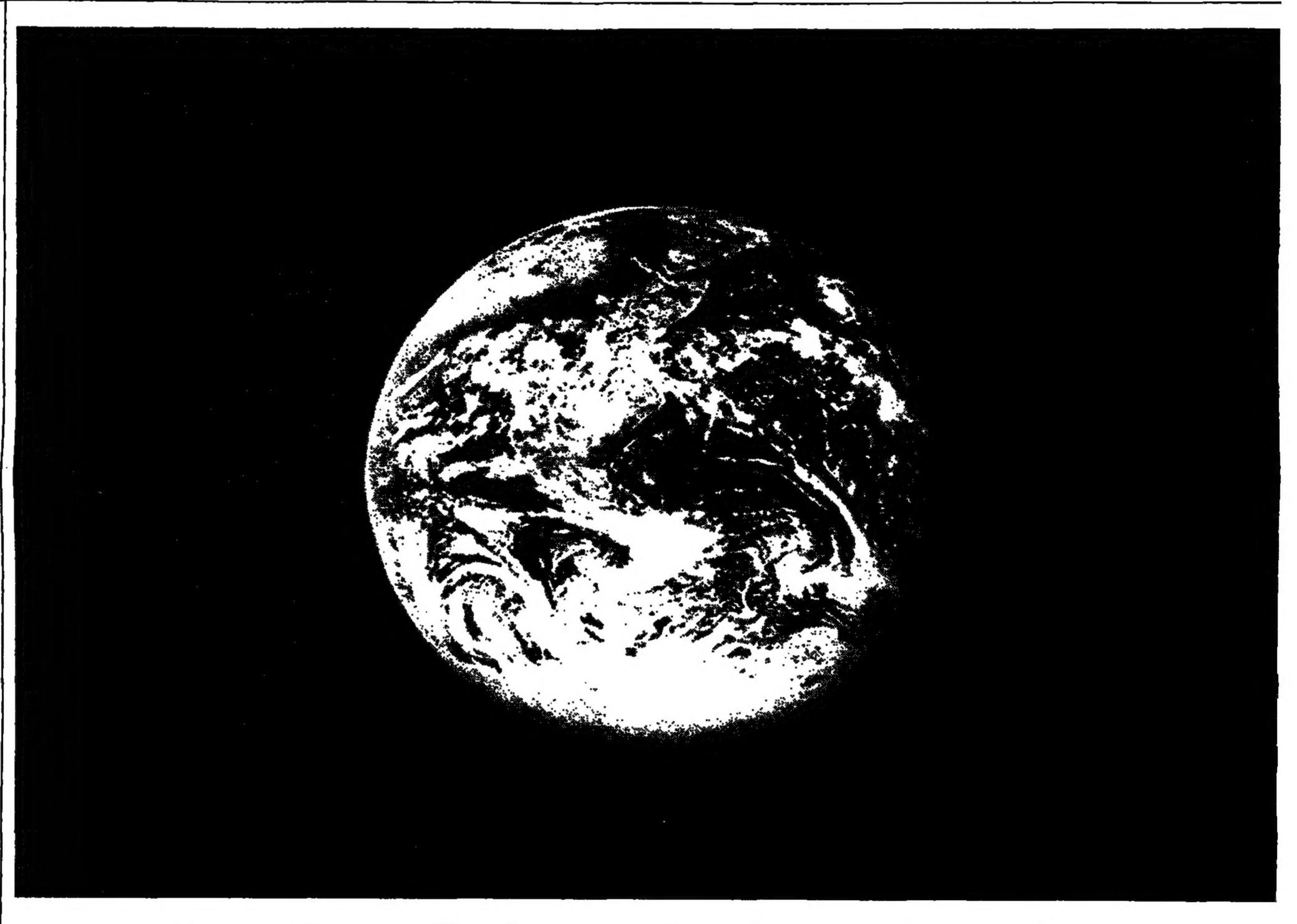
25% of their face value 3rd SERIES BONDS The instalment has been mut by the drawing of 932 bonds of £99.50 each having a total value of £92,734.00 together with an equal number of non interest

The alore-mentioned drawn bonds are repayable from 1st July 1990 to 31st December 1995 and those stamped by the Portuguese Financial Delegate for payment in stading may be presented for repayment at the Securies Department Counter of BARING BROTHERS & CO., Limbed Broadgate Branch, 155 Bishopsgate, London EC2M 3XY, where lists of the numbers of the bonds and lodgement listing forms for the drawn bonds may be

NEW COUPONS It will be noted that new coupons are now required. To obtain these, application forms are now available at the above

ART GALLERIES

WILLIAM DENIMINATED IN 11 BUTY St. St James's, SW1. 90 Orl pointings and water-colours, mainly British, 16th and 19th Cenbury. LINTIL 21st JULY



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171

The full texts of the letters exchanged between Mr Nicholas Ridley and the Prime Minister are:

THE RIDLEY RESIGNATION

Thatcher's grip on policy seen to be loosened

By Philip Stephens, Political Editor

IN TERMS of the convenient labels that politicians and jour-nalists tend to apply, the politi-cal balance of Mrs Margaret Thatcher's Cabinet has not altered this weekend.

Mr Nicholas Ridley, one of the few among her most senior ministers that Mrs Thatcher could count unequivocally as "one of us", has departed. But Mr Peter Lilley, his replacement, is also on the radical right of the party.

As ministers and MPs reflected, however, on the political damage inflicted by the eighth departure from the Cabinet in a year, the consensus yesterday was that the Prime Minister and her Government had been badly

bruised. Mrs Thatcher, barely recovered from the battering in the opinion polls inflicted by high interest rates and the poll tax. had lost one of her closest political allies and the most influential free-marketeer in

the Government. Mr Ridley more than anyone else shared, and reinforced, her ingrained hostility to the transfer of sovereignty to the European Community.

His departure was expected to weaken considerably her grip on policy, particularly over Europe.

Mr Kenneth Baker, the party chairman, is said by colleagues to be intensely concerned that divisions over Europe might split the Conservatives. He has warned privately that such a division would wreck

Undecided

successor

By Alison Smith

ing for his attention.

in Brussels tomorrow.

the removal of trade barriers

in the run-up to the creation of

genuinely single market in

The leading domestic policy

questions are likely to centre

on what a non-interventionist government can do as a cata-

lyst to assist British manufac-

turing industry and hence the

balance of payments. Mr Lilley may try to introduce greater

competition into the Post Office and the brewing indus-

City regulation might also

attract attention, with last

month's collapse of Dunsdale

Securities focusing attention

on the effectiveness of the

Some old sins are also still

existing regulators.





Kenneth Baker (left) fears election defeat and John Major and Douglas Hurd (right) have alternative ideas on Europe

spring in the Government's position and, quite possibly, result in defeat in the general election due by mid 1992.

The inference is that, unless she is prepared to risk a further challenge to her leadership, Mrs Thatcher will face still stronger pressure to give her full support to the more positive stance towards Brussels adopted Mr Douglas Hurd, the Foreign Secretary, and Mr John Major, the Chancellor.

Their proposals for an alternative version of European economic and monetary union based on the creation of a new "hard Ecu" and for some mod-

the steady recovery since the est reforms of the Communi- which is pencilled in by the ty's institutions, have so far won tacit acceptance rather than enthusiastic endorsement from Downing Street.

Some ministers were speculating also that Mrs Thatcher. who dropped her veto on full British membership of the European Monetary System earlier this year, could no longer stand in the way of such a move. One senior minister said yesterday: "Nick was her last defence against the ERM [exchange-rate mechanism]. Now he has gone, it is entirely up to John Major and Douglas

The exact timing of entry.

ing "Euro-sceptics" and they Treasury for the autumn, seems certain to be dictated by the general economic and political background rather than by the precise conditions set at last year's European Community summit in Madrid. Few of Mr Ridley's col-

leagues were ready to shed many tears over his departure. Mr Norman Lamont, the Chief Secretary to the Treasury, Mr Michael Howard, the **Employment Secretary, and Mr** Cecil Parkinson, the Transport Secretary, were said privately to have expressed hopes that he might survive. Those three are seen as the Cabinet's lead-

will be joined by Mr Lilley. Mr Hurd and Mr Major, however, were said to regard his departure as what one colleague said was an entirely constructive development. Both will begin again the task of trying to persuade Great Britain's European partners that Great Britain is ready to

closer integration. Neither, however, will press for a lurch towards federalism. The Cabinet includes a handful of ardent federalists, notably Mr Kenneth Clarke at Health and Mr John Gummer at Agriculture, but there is no

play a positive role in forging

majority in "United States of Europe." Mr Major, a pragmatist rather than an ideologue, has made clear that he is as strongly opposed to the Delors plan for economic and monetary union as he is in favour of joining the ERM.

Mr Hurd, who is apparently concerned to soothe the fears of the right of the party after Mr Ridley's departure, said yesterday that the Government would not sign next year for a single European currency and central bank. The implication was that, if necessary, the Government would opt for the slow lane of a "two-speed" Europe.

force them into the straitiacket of a single currency, with ecoyears ahead. nomic policy decided by people who are not accountable to the electors and taxpayers. It



nation by the country with the strongest currency in the Com-

believe that the views which I have expressed in this letter are very much in line with those of the Government But I recognise the difficulties which my failure to use more measured words have eaused and, in the circumstances. I think it would be best if I now left the Government.

It has been a privilege and honour for me to have served you for the last 11 years. You have achieved so much. I wish to place on record my admiration for the transformation in the fortunes and self-confidence of our country which you have wrought. I will continue to support you in your essential further work on the nation's behalf over many

Yours ever, **Nicholas**

Evangelical with de Gaulle portrait on the wall



Peter Lilley: firm believer that the

By Philip Stephens

MR PETER LILLEY, whose elevation at 46 to the job of Secretary of State for Trade and Industry makes him the youngest member of the Cabinet, has a picture of General Charles de Gaulle hanging on his office wall at the Trea-

former Financial Secretary counts himself also as one of the radical free-marketeers who in the early 1980s established the No Turning Back group to help Mrs Margaret Thatcher stand her ground against the Tory "wets". As many in the highest ranks of the Government have begun to call for a return to a rather gentler, less evangelical Torvism, he has been among the rising stars one step below who argue

Underrepresented in the Cabinet, radical Conservatives at Westminster have invested their hopes for the future in that small group. It counts among its numbers Mr Michael Portillo at the Department of the Environment, Mr. Francis Maude at the Foreign Office and Mr John Redwood, a junior DTI

that the Thatcher revolution is far from

minister, as well as Mr Lilley. entered Parliament only in 1983, representing St Albans, will reassure MPs on the right of the party, Mr Lilley is likely to disappoint those who expect him to be simply a younger version of Nicholas

The picture of de Gaulle does signify his deep antipathy to the European federalism which he sees at the heart of the Delors blueprint for Economic and Monetary Union.

Like the late French president, he believes that his country can play an active part in the European Community without sacrificing sovereignty over important political and economic deci-

His friends and colleagues, however, insist that his views are not tinged with the ingrained chauvinism of some of those associated with the "Bruges" vision of a loose confederation of European nations rather than a united

"He is not one of those who dislikes

foreigners," one friend commented vesterday. He is among only a handful of senior ministers who have houses in France and speak French tolerably well. Nor does Mr Lilley share his predecessor's passionate hostility to the European Monetary System's exchange-rate mechanism. Although protégé of Mr Nigel Lawson, who gave him his first job in the Government in 1984, he is not an EMS enthusiast. He was persuaded by the former chancellor

that joining the ERM was probably the

best way of restoring the Government's grip on inflation.

On occasions - notably earlier this year when he made an ill-considered attack on the judgment of the Speaker of the House of Commons - Mr Lilley provides a glimpse behind his more usually calm, unruffled temperament. Some colleagues say also that at times he can be arrogant and supercilious.

More generally, however, he has reputation for being quiet, thoughtful and polite, ready to argue the free-market case strongly but not given to haranguing opponents.

He set out the political manifesto that he will take to the DTI in a pamphlet last year for the Centre for Policy Studies. It called for more privatisation and deregulation, further cuts in income tax, tight controls on public spending, and the injection of "market forces" into the state education and health services.

The Government's philosophy, he argued, should be based on four basic principles: free choice is usually better than compulsion; rewards and incentives are preferable to command and control; responsible behaviour grows port, at the Environment or at with the exercise of responsibility; and government is most effective when it confines itself to things that it alone moves to privatise and to

Europe divides Cabinet from backbench Tories

Dear Nicholas

UNDERSTAND your decision to tender your resignation from the Government and it is entirely characteristic of you to follow the course which you have decided is the most honourable. As you say, you had anyway told me recently, very much to my regret, that you would not stand again at the next election.

election.

In particular I deeply resent the journal's assertion that I

associate present-day Germany

with the aggression of the past. I do not hold that view.

the proposal of the European Commission for economic and

monetary union in the Com-munity would be a disaster,

both for Great Britain and for

passionately believe. It would be heartless, after 50 years of subjugation, for the Commu-

nity to exclude the nations of

eastern Europe from participat-

ing in the European single

market. The opportunities

must be open for the nations of

the European free trade area to

ioin. All the nations of Europe

should be free to maintain

their own political, economic

and national identities, while

enjoying the benefits of a free

from the completion of the sin-

gle market free from internal

barriers, subsidies and restric-

tions, trading openly with the

rest of the world. Nothing but

harm will come from trying to

would result in economic domi-

Great benefit will come to all

and fair trade.

the wider Europe in which

Nevertheless I believe that

That does not diminish the great gap which your departure will leave. Yours has consistently been one of the most creative and original contributions to the Government's work over the years since 1979 and indeed before. You have been a foremost champion of sound economic and monetary policies and of our drive to restore enterprise and initia-

You have never shirked difficult decisions, either at Trans-Trade and Industry. You have been at the forefront of our reduce the role of government

you have brought to Cabinet a clarity of mind and thought and an intellectual vigour. which have been invaluable in illuminating even the most complex problems and searching out a constructive way ahead. Personally I shall greatly miss your loyal support for the policies we both believe in so deeply.

in business and industry. And

We are all immensely grateful to Judy [Mrs Ridley] for all she has done and the tremendous help which she has always been to you.

Your continued support for the Government in the House. so generously offered, will be a great encouragement. In thanking you wholeheartedly for the outstanding work you have done. I send my warmest personal good wishes to you and to Jady.

> Yours ever, Margaret

Talks on Germans raise new fear over relations

THE Government's hopes of repairing its relations with Bonn suffered a further jolt yesterday with the publication of a confidential minute describing a seminar on Germany held by the Prime Minister earlier this year. Philip

casting long shadows. There is Stephens writes. unfinished business with the The minute, published in European Commission and the The Independent on Sunday all-party trade and industry and confirmed by officials as select committee of MPs authentic, included a list of regarding the "sweeteners" German national "character paid to British Aerospace as part of the Rover deal. defects" discussed at the seminar convened at Chequers, the A response will also have to Prime Minister's country resi-

be made to the select committee's sharply critical report into the DTI's role in the Fayeds' takeover of Harrods.

assertiveness" in a document which provides a telling insight into the deep concern within Downing Street about the implications of German

The meeting, attended by Mr Douglas Hurd, the Foreign Secretary, as well as by a number of academics, concluded after a lengthy discussion that the prospect of a united Germany was much less to be feared than in the past. Officials conceded yesterday, however, that the frank language used would further complicate their task of assuring Bonn that attitudes that forced Mr Ridley's resigna-Among other things, Germans were described as prone tion were not shared by the to "angst, aggressiveness and Prime Minister.

By Alison Smith "I BELIEVE that the views I have expressed are very much in line with those of the Government," Mr Nicholas Ridley

out in his resignation letter. In the letter, he outlined a single-market European Community, open to other countries - including eastern European ones - and free from the "straitjacket" of an electorally unaccountable eco-

said of the vision of Europe set

nomic policy. That view may command a consensus both in Government and on the Tory back benches but differences may become more apparent when more awkward political issues arise. Mr Teddy Taylor, Tory MP for Southend East, said the quick-

Reported balance

ening pace of European developments, not least speculation about the UK's entry into the exchange-rate mechanism

autumn, had brought greater urgency to the debate. Another catalyst has been the intergovernmental conference on political union at the end of the year and decisions

by the European Court. Mr William Cash, Tory MP for Stafford and chairman of the backbench European affairs committee, says there is no question of a party split. There are, he admits, a few of his colleagues on the

extremes of the Euro-federalist

and anti-European arguments.

of the Bruges Group. This Group, which takes its (ERM) of the European Monetitle from the famous speech tary System (EMS) in the

by Mrs Thatcher in Bruges, shares the desire expressed then for a Europe of sovereign nation states, rather than one based on central and electorally unaccountable control from Brussels.

but the vast majority of back-

benchers favour the approach

"We want to see Europe work," Mr Cash said. "What we don't want is a Community torn by internal dissension, jealousy, the exclusion of eastern Europe, as a result of trying to create a Europe based on the ideas of the 1950s, when we want the Europe of the

Mr Ridley envisaged, in a speech to the Bruges Group last month, a European Community where individual countries could choose how far they wanted to take part in economic and monetary union.

Countries would be able to opt

in or out of EC institutions.

That proposal received a warmer reception at the Bruges Group than in the Cabinet. If the Bruges Group's view is indeed shared by most Tory MPs, then the prospect of division seems less likely within their own ranks than between the back benches and the Cabinet, where there seems more general enthusiasm for Europe, albeit accom-

alism and a central bank. The balance in Cabinet was tilted further towards Euro-enthusiasm by Mr Ridley's resignation. Although Mr Lilley is on the right side of the party to keep the head count the same, his influence cannot be that of a close political colleague for more than 30 years. Having already decided to leave politics at the next general election, Mr Ridley will not do for the backbench Euro-sceptics what Mr Michael Heseltine did for the Euro-enthusiasts. But as their first martyr he has succeeded in ensuring that the quickening pace of European developments is matched by domestic

MacGregor prepares to defend record on reform

By Norma Cohen, Education Correspondent

ted today to respond to critics on the Tory right, and defend his record on carrying out the Government's education

He is expected to reiterate his commitment to the Education Reform Act of 1988 in a speech to the Centre for the Study of Comprehensive Schools in Leicestershire.

It follows repeated charges against him that he has not moved decisively to carry out the reforms. Critics complain he has been slow to put in place two of the Government's

MR John MacGregor, the reforms – establishing City Education Secretary, is expected. Technology Colleges, and allowing schools to opt out of local control by education authorities.

Later this week Mr MacGre-

gor is expected to urge legisla-tion to prevent local authorities from blocking school plans to opt out. In the next two weeks, he is expected to make a series of pronouncements to appease critics on the right of the Conservative Party. He is likely to insist that the history curriculum should retain its emphasis on dates and events and resist demands to combine the teaching of science subjects for GCSE examinations.

Total Distribution Stocks (%)

Wholesaling Orders (%) Stocks (%)

panied by opposition to federdiscussion. Retailing Sales (%) Orders (%) Stocks (%)

Retail sales improve but outlook poor for wholesalers

By Patrick Harverson, Economics Staff WHOLESALERS and motor traders

saw sales volumes fall again last month, and the outlook for sales and orders in both sectors in July remains bleak, according to the latest Confederation of British Industry/Financial Times Distributive Trades Survey. In contrast, retailers reported that

sales volumes picked up slightly in June, and they expect a similar modest increase in sales in July. However, the long-term retail trend remains one of slow growth. The survey, which polled 501 com-

panies in the distributive trades sectors between June 8 and July 4, again found that the motor trades industry was suffering most from the downturn in economic activity generated by high interest rates.

Of the 55 motor traders polled, 60 per cent reported that sales volumes in June were down on a year ago, while only 16 per cent reported better sales than a year ago. The difference between the two - a balance of 44 per cent reporting lower sales - was the second-worst result in the past 12

An even larger balance, 50 per cent, reported that sales in June were poor for the time of the year, while a baiance of 40 per cent said they expected sales this month to be lower than in July 1989. Motor traders continued to place a lower volume of orders with suppliers in June than a year ago, and lower ordering is again expected in

There was a similar deterioration in

the stocks situation, with motor traders building up more stocks in relation to expected sales during June. A balance of 48 per cent of companies reported excessive stocks, the highest since December last year.

The picture in the wholesale sector was slightly better last month, but annual growth in sales volumes continues to slow and respondents were pessimistic about the outlook for July. A balance of 2 per cent of compa-

nies reported higher sales than a year ago, significantly smaller than the 11 per cent balance in May's survey and the 42 per cent in June 1989. Wholesalers of clothing, textiles, footwear, food and drink reported that annual sales were up last month.

the 160 wholesalers polled expect sales in July to be lower than a year ago, only the second time in a year that respondents have predicted negative sales growth.

A lower volume of orders was placed with suppliers by wholesalers last month compared with a year ago, and the pattern of falling orders is expected to continue in July. As predicted, wholesalers' stocks rose in June in relation to sales.

In the retailing sector, sales vol-umes picked up in June, with a balance of 27 per cent reporting better sales than a year ago. Although that represents an

improvement on the balance of 20 per cent reported in May's survey, it However, a balance of 9 per cent of remains below the average of 32 per

cent recorded over the first five months of this year.

Shops selling confectionery, tobacco and newspapers reported the best sales increases in June, while retailers of durable household goods, specialist foods, footwear and leather goods said sales volumes were lower. Mail order companies reported the healthiest sales increases last month. Of the 286 retailers polled, 43 per cent predicted that sales in July

would be up on the same month a year ago, while 18 per cent expected... sales to fall on an annual basis. The annual growth in orders placed with suppliers picked up in June,

with increases expected in July, and retailers' stocks were run down last month in relation to expected sales.

most contentious education ハイアット・リージェンシー・ バーミンガム本日オープン 全く新しい日々のビジネス体験

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When BMW launched the 535i, it was hailed as a masterpiece.

Which is hardly surprising.

as

i good with a: Judy.

)ries

alers

Yourse

For who could fault a car with such a low centre of gravity that it hardly rolls in a bend?

A car whose front and rear suspension settings are ideally matched, and whose weight distribution is the perfect 50/50?

In fact who could fault a car with such immaculate road manners?

The motoring press certainly couldn't. One journalist actually went as far as to say that, "When it comes to ride and handling the 535i sets the standard."

But BMW realised that, as perfect as it may be, the 535i might not be to everyone's taste.

Enter the 535i Sport.

A remarkable machine that's all the 535i is and more. Or rather, less.

With broader low-profile tyres on forged alloy wheels it sits lower on the road.

And a tauter, sports suspension with stiffer, twin-tube gas shock absorbers minimises any body sway when cornering at speed.

Whilst a limited-slip differential helps improve grip, traction and handling.

Just as important were the aerodynamics. Fully integrated Motorsport spoiler equipment was married to a body already renowned for its remarkably low drag co-efficient.

Front and rear spoilers and side-skirts lower axle lift front and rear by 33% and 50%. (Causing a 'Ground-effect' that makes the Sport hug the road.)

As for the engine, well, some things just can't be improved. So the Sport shares the 535i's acclaimed 3.5 litre straight six.

Which under the electronic auspices of Motronic, BMW's engine management system, produces 211bhp and 0-60 acceleration of just 7.4 seconds.

The 535i Sport then, is a car built not to overshadow the 535i, but to complement it.

Yet it's a car that, when driven, prompts a well-known phrase to readily spring to mind.

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APPOINTMENTS

Sears makes changes

SEARS has appointed Mr John Osborn as managing director. British Shoe Corporation, from today. He was managing director, womenswear division. responsible for Miss Selfridge. Wallis, and Warehouse fashion businesses. Mr Osborn succeeds Mr Christopher Marsland who has resigned to pursue other interests. Mr Jack Clark becomes managing director, womenswear division. He was divisional finance



H.P. BULMER HOLDINGS has appointed Mr Alistair Mitchell-Innes (pictured) as deputy chairman, succeeding Mr Brian Nelson who has retired. Mr Mitchell-Innes has been a Bulmers non-executive director since 1984, and is also a director of NEXT, and Evans Halshaw Holdings.

Mr Paul Erskine has been appointed sales and marketing director at UNITEL PERSONAL

COMMUNICATIONS, a new telecommunications network company backed by STC, U.S. West, Thorn-EMI, and Deutsche Bundespost Telekom. It will offer a mobile telephone service from late 1992. Mr Erskine was European sales manager with Mars subsidiary Four Square. Mr Simon Gilling has been appointed legal director. He was legal adviser and company secretary, with Cable & Wireless subsidiary Mercury Communications.

■ Admiral Sir Lindsay Bryson becomes a non-executive director of ELSWICK at the end of July, replacing Mr J.R.

FREEDMAN

Williams who is retiring. Admiral Bryson is chairman of ERA Technology, and of the Marine Technology Directorate.

■ Mr John Bygate has become managing director of DOCKLANDS LIGHT RAILWAY. He was general manager, railway extensions with the Hong Kong Mass Transit Railway Corporation.

■ THE DAIWA BANK has appointed Mr Peter Clarke as deputy general manager of its London branch. He was an assistant general manager with Bayerische Landesbank.

Mr David Isaacs, ex-sales and marketing director of Oddbins, has been appointed managing director of MAJESTIC WINE. Mr Anthony Wheaton, formerly with Hill Samuel & Co, becomes deputy managing director and finance director. Mr John Kerr is made chairman. He is managing director of Sumit, Majestic's major shareholder. The previous chairman, Mr Richard Poulden, managing director Mr David Woods, and operations director, Mr Geoffrey Smallwood, have all

■ Mr Alan Dean has been appointed a non-executive director of MATTHEW CLARK AND SONS (HOLDINGS). He was chief executive of N.



(pictured) has been appointed managing director of HP FOODS. As the former head of BSN's Northern European grocery zone, he worked closely with HP's management through the re-launch of the company and its brands following BSN's acquisition of HP in July 1988. He succeeds Mr Nigel Worne who leaves in August to join the

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PARLIAMENTARY

Marriage (Registration of Buildings) Bill, committee. British Nationality (Hong Kong) Bill, committee. Motion for approval on the

Redundancy Payments (Merchant Seamen Exclusion) Order 1973 (Revocation) Order 1990.

Commons: Conclusion of debate on the Finance Bill. Motion relating to Housing Renovation Grant Regulations. Lords: Debate on the Defence Estimates. Landlord and Tenant (Licensed Premises) Bill,

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WEDNESDAY JULY 18

BHH, Newstead House, Alderliat Drive.

Brown (N), Ramada Renaissance Hotel, Man-

Centreway Trust, 1, Victoria Square, Birming-

Cook (William), Tapton Masonic Hall, Shore Lane, Sheffield, 12:00

Dawson Intl., Caledonian Hotel, Edinburgh,

Dunhill, Cafe Royal, 88, Regent Street, W.,

English & International Trust. 11, Devonshire

Foster (John), Black Dyke Mills, Queenabury, Bradford, 12:30

Leading Leisura, Centrecourt Hotel & Tennis Centre, Centre Drive, Chineham, Bas-

Plysu, The Brewery Conference Centre, Chi-

Stoddard Sekers, Glenpatrick Road, Elder-

Waverley Mining Finance, 13, Charlotte

ming Universal Investment Trust, 25, Cop-

Elikott (B). 30/32, St. Mary Aze, E.C., 11.00

Newstead Industrial Estate, Trentham,

Moolwich Bidg. Society Fitz. Rate Nts.

COMPANY MEETINGS-

Stoke-on-Trent, 11.00

Square, E.C., 10.00

rostoke, 11.00

side, 2.30

than Avenue, E.C., 12.00

twell Street, E.C., 12.15

sile, Renfrewshire, 12.00

Square, Edinburgh, 12.00 BOARD MEETINGS-

chaster, 230

General Motors Acceptance 9% Nts.

Address to the Queen associated with congratulations to the Queen Mother on her forthcoming 90th birthday. Committee on private bill: Hythe, Kent, Marina Bill. (Room 5, 10.30 a.m.)

Wednesday Commons: Opposition debate on community care. Motion on Social Security Benefit Regulations. Assisted Places Regulations.

(Scotland) Bill, report. Select committees: Environment: subject, indoor pollution. Witness: Mr G Robertson, Healthy Building International (Room 21, 10.30 a.m.) Foreign Affairs: subject, UK policy towards southern Africa. Witnesses: British

for Administration; subject, Report for 1989. Witness: Sir Anthony Battishill, chairman, Inland Revenue Board. (Room 18, 10.45 a.m.) Defence: subject, improved UK air defence. Witnesses:

DIARY DATES

Energy: subject, energy efficiency. Witnesses: Office of Gas Supply, and Office of Electricity Regulation. (Room 8, 11

European legislation: subject, Italian EC presidency priorities. Witnesses: Mr Francis Maude, MP, Foreign Office Minister of State, and officials. (Room 19, 11 a.m.) Employment: subject, health

and safety at the Channel Tun-

nel site. Witnesses: Health and

Safety Executive. Trans-

Manche Link and trade unions. (Room 8, 4.15 p.m.) Transport: subject, London Transport. Witnesses: Mr Wilfred Newton, chairman, and officials of London Transport. (Room 15, 4.15 p.m.)

Committees on private Bills

(unopposed): Shard Bridge Bill. Former Port Authority Bill, London Docklands Railways Bill, and London Underground Victoria Bill. (Room 9, 4 p.m.)

Thursday MoD officials. (Room 16, 10.50 Commons: Lords amendments to the Government Trading Bill and the Aviation and Maritime Security Bill.

Debate on the select committee report on Televising of Commons Proceedings. Lords: Broadcasting Bill, com-Motions for approval on

Meat and Livestock, Sea Fish Industry and Air Navigation Orders. Committee on a private bill: Midland Metro Bill. (Room 6, 10 a.m.)

Friday Commons: Private members' motions. Lords: Finance Bill, second reading. **Education (Assisted Places)** Regulations, motion for approval.

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COMPANY MEETINGS-

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FREDAY JULY 20

British Investment Trust, 4, Melville Crescent, Edinburgh, 12.16

Casaldy Brothers, Savoy Hotel, Blackpool.

Ferguson industrial, Watermen's Hall, 18, St Mary at Hill, 11.00

Ketson, International House, World Trade Centre, 1, St. Katherine's Way, E., 11.30 Northern Foods, Grange Park Hotel, Willerby.

Powell Duffryn, Waldorf Hotel, Aldwych, W.C.,

roperty Partnerships, Hotel Norwich, Nor-

Readicut, Institute of Directors, 116, Pall Mall, S.W., 12.30

Dewhurst Dent 7% Uns. Ln. 1990/2000 3.5oc.

Dundee & London Irry, 3.5p Elys (Wimbledon) 7 4 % 1st Mrg. Deb. 1986/91

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wich, 11.30

BOARD MEETINGS-

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3.625pc. Do. 93 % Uns. Ln. 1995/99 4.675pc.

Fleming Universal Inv. Tat. 2.2p

Young (H.) Hidgs. 2p SATURDAY JULY 21

Western Deep Levels DIVIDEND & INTEREST PAYMENTS-

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Trade fairs and exhibitions: UK

_ .z.; - : t · ·

July 19-22 International Helicopter Exhibition (081-773 3751) Middle Wallop July 29-81 Sun & Swimwear Exhibition

(071- 973 6401) Marriott Hotel, London N.E.C. August Fair for Connoisseurs and Collectors of Antiques (021-780 4171)

August 12-14 Medium to Top Range Women's Clothing Exhibition - PRE-MIER COLLECTIONS (081-742 NEC Birmingham

Kensington Town Hall August 18-19 Town & Country Show (0775 Harrogate Showground Aug 30-Sep 1 Telecommunications Industry

Antiques Fair (071-873 6401)

August 16-19

August 12-15

(071-240 1871) Metropole Exbn Hall, Brigh-

September 21-25 International Broadcasting Exhibition and Convention

September 2-8

Overseas exhibitions

July 26-29 International Woodworking Machinery Tools & Accessories TECH/WOODTECH (081-940 Bangkok

International Offfice Technology Exhibition - OFFICE TECHNOLOGY COMMUNICA-TIONS (071-486 1951) Melbourne

August 19-22 International Video & TV Equipment Fair - VIDEO EXPO (021-455 9600)

Sao Paulo September 1-5 Jewellery, Gold, Tableware,

Clocks and Gifts Exhibition -BLJORHCA (071-221 3660)

Paris

International Autumn Fair (0375 392222) Leinzie September 9-12 International fashion Fair -IGEDO (071-625 4506)

Association Trade Exhibition

International Autumn Fair

Water and Environmental

Exbn & Conf Centre. Glas-

Women in Business Exhibition

British Internatinal Motor

Fairfield Halls, Croydon

NEC, Birmingham

Management Exhibition and

Conference (071-973 6401)

Manchester G-Mex Centre

Olympia

Dusseldorf September 10-14 International Environmental Technology, Waste, Management and Municipal Cleaning Exhibition - ENVIRO (071-495

Amsterdam September 12-19 International Engineering Fair (071-639 7265) Brno

· > ...

September 24-30 International Technical Fair (071-836 5219) Plovdiv

Business and management conferences

July 24-26 Management Training Consultants (Leicester): Successful managers in action - practical steps for improving teamwork and productivity (0533 627062)

July 25-26 FIBEX: Doing business in Eastern Europe - encompassing an overview of Eastern Europe and focusing on individual countries (071-489 9944) Hilton Hotel, London

August 6-10 SIGGRAPH 90- International conference on computer graphics and interactive techniques (Chicago 312-644 6610) Dallas Convention Centre

August 12-14 Frost & Sullivan: Business intelligence - How to gain hospitality and retain a competitive advantage (071-730 3438) Brighton

September 7 HS Conference Studies: Finding solutions when property companies hit trouble (071-935 Portman Inter-Continental

Hotel, London September 13-14 Hawksmere: Successful negotiating techniques (071-824 8257) Holiday Inn. Swiss Cottage September 18-19

Hawksmere: Achieving outstanding management results (071-824 8257) Rembrandt Hotel, London September 24-25

Financial Times Conferences: World mobile communications (071-925 2323)September 27

HS Conference Studies: Property investment in Europe (071-985 2382) Cafe Royal, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

Today

Commons: Finance Bill, remaining stages. Motion on the Care of Cathedrais Measure. Lords: Representation of the People Bill, committee.

Tomorrow

Motion to approve the Army, Air Force and Naval Discipline Acts (Continuation) Order. Motion for a Humble

Airliow Streamlines, Northampton Moat House, Silver Street, Northampton, 12.00 F & C Smaller Companies, 1, Laurence

Pountney Hill, 12.15

Getes (Frank G), Prince Regent Hotel, Manor Road, Woodford Bridge, Essex, 12.00

BOARO MEETINGS-Finals:

Excellibur

First (G.M.)

FINANCIAL

Temkins Trippies Licyd Interime:

Central Motor Auctions

DIVIDEND & INTEREST PAYMENTS-

Angle Irleh Bank 1.36p Angle & Overseas Tst. 412 % Prl. 1.575p

Edinburgh Inv. Tst. 3 & % Deb. 1998 1.875pc. Eksportlinens 15% Oll-Linked "A" Nts. 1990

Do. 15% Oli-Linked "8" Nts. 1990 £150.83 European firv. Bank 9% Ln. 2001 4.5pc. Helical Bank 5.25% Crv. Pri 2012 2.625p

Borthwicks, The Brewery, Chiswell Street, E.C., 12.00

Cable & Wireless, Grosvenor Hotel, S.W.,

Courtevide, London Marriott Hotel. Duke

Drummond Group, Norfolk Gardens Hotel, Bradford, 12.00

Great Portland Estates, Cale Royal, 68,

Harrison Inds., Post House Hotel, Norther-

High Gosforth Park, High Gosforth Park,

New Throgmorton Trust, 155, Bishopsgate,

ALLIED

DUNBAR

Chancery, 100, Avenue Road, N.W., 12.00

British Airways, Barbican, E.C., 12.00

Evode Plateau Mining St. Andrews Trust

felverton invs.,

£150.83

PWS 1.3p Smart (J.) 195p

Brixton Estate 3.9p Chrysler Corp. 30cts

Land Securities 12.25p

Smithkilne Beecham 3.40

Street, W. 10.45

London Atlantic Inv. Tat. 1 67p Moleod Russell 2.75p

Treesury 8% Crw. 1990 4pc. Treesury 8½ % Ln. 2007 4.25pc.

COMPANY MEETINGS-

Regart Street, W., 12.00

den, Marchester, 10.30

Newcastle upon Tyne, 12.00

Square. Edinburgh. 11.00

Acsis

COMPANY MEETINGS-

Motion on Education Opposed private business from 7 p.m. Lords: Broadcasting Bill, com-Enterprise and New Towns

Council of Churches and Christian Aid. (Room 15, 10.30 a.m.) Parliamentary Commissioner

> Moorgate Inv. Tst. Mulifore Electronics Scott Pickford Stanley Leasure Tinsley (Eliza) interime: Ansbacher (Henry) **BWD** Securities First Lebure

General Cons. knv. Tst. DIVIDEND & INTEREST PAYMENTS-Echlin 17.5cts

Netional Westminster Benk Und. Var. Rate Nas. \$2221.28 New Throgmorton Tst. (1982) 8p Northern Rock Sidg. Society Fitg. Rate Nts. 1995 £191.66 Royal Bank of Scotland 2.8p Sandors & Sidney 5.2p Temple Bar Inv. Tet. 7% Prt. 3.6pc.

THURSDAY JULY 19 COMPANY MEETINGS-Aca), Plaisterers Hall, 1, London Wall, E.C., Fromsgrove Inde., National Motorcycle Museum, Scilhuli, West Midlands, 12.00

Brown Shipley, Founders Court, Lethbury. E.C., 12:30 CST Emerging Asia Trust, 25, Bucklersbury, E.C. 10.30 EMAP, Butchers' Hell, Sartholomen Close, Smithfield, E.C., 12.00 El Oro Mining & Exploration, 41, Cheval Place, S.W., 11.30 Exploration Company, 41, Cheval Place, S.W., Heath (C.E.), Baltic Exchange, 14/20, St Mary Axe. E.C., 10.00

Jervis Porter, Queens Hotel, Leeds, 12.00 Meyer Intl., Waldorf Hotel, Aldwych, W.C. Osborne & Little, 1, Red Lion Court, E.C., Shanks & McEwan, Albany Hotel, Glasgow, 12.00 Southnews, Butchers Hall, 87, Bartholomew Close, E.C., 12.00 Thames Water, Alexandra Palace, Palace Road, N., 2.15
Waddington (John), Glaziers Hail, 9, Montague, Close, London Bridge, S.E., 12.00
Yale & Valor, Ironmonger's Hail, Aldersgate
Street, E.C., 10.45

BOARD MEETINGS-Brasway Clark (Matthew) Norbain Electronics Park Food Symond Engineering

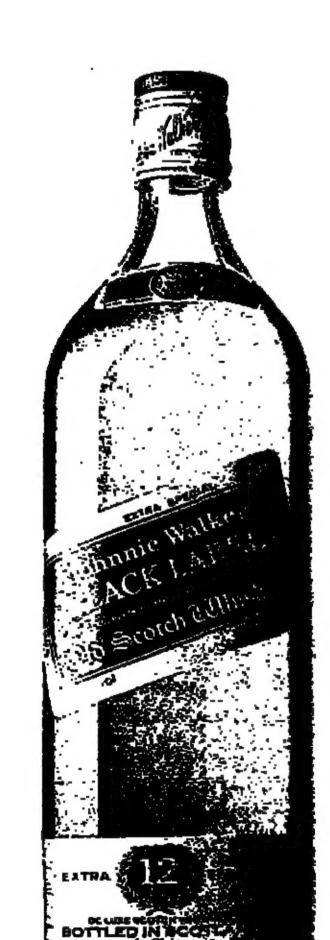
Dawhurst Drayton Far Eastern Elandsrand Gold Mining

South African Land & Exploration

Selective Assets Trust

Chartwell 1p Exchequer 104 % 1995 5.125pc. Readicut Intl. 2.81p SURBAY JULY 22 DIVIDEND & INTEREST PAYMENTS Exchequer 12% 1999/2002 6pc Sweden (Kingdom of) 13.5% Ln. 2010 6.75pc Treasury 12 \ % Ln. 1992 6.375pc. Treasury 134 % Ln. 1997 6.75pc. Treasury 114 % 2003/07 5.875pc.

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THE NEW FACE OF BRITISH BROADCASTING

The Financial Times proposes to publish this survey on: 11th September 1990

For a full editorial synopsis and advertisement details, please contact Neville Woodcock on 071 873 3365

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FINANCIAL TIMES CONFERENCES

The following conferences are among those to be arranged by the Financial Times this Year:

WORLD AEROSPACE AND AIR TRANSPORT TO THE YEAR 2000 AND BEYOND 28, 29 & 30 August - London

WORLD MOBILE COMMUNICATIONS 24 & 25 September - London

POLLUTION MANAGEMENT

2 & 3 October - Birmingham FT CITY COURSE 8 October - 26 November - London

INVESTMENT OPPORTUNITIES IN BRITISH BROADCASTING

9 & 10 October- London PRODUCT STRATEGIES FOR THE 90s 15 & 16 October - London

FINANCIAL TIMES/PRICE WATERHOUSE CAPITAL MARKETS WORKSHOPS 17, 18 & 19 October, 21, 22 & 23 November 5, 6 & 7 December - London

CITY REGULATION REAPPRAISED. 5 November - London

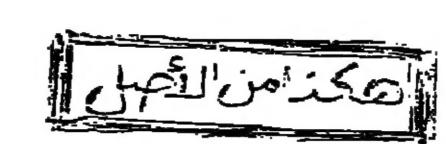
WORLD ELECTRICITY CONFERENCE 12 & 13 November - London

BUSINESS WITH SPAIN 19 & 20 November - Madrid

EUROPEAN BUSINESS FORUM - BUSINESS IN CENTRAL AND EASTERN EUROPE 26 & 27 November - Rome

WORLD TELECOMMUNICATIONS 3 & 4 December - London

> All enquiries should be addressed to: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ Tel: 071-925 2323 (24-hour answering service) Telex: 27347 FT CONF G Fax: 071-925 2125



LEGAL COLUMN

Washington ruling stirs row over professional boundaries

By Pratap Chatteries

in Business Laborates

ional

WASHINGTON DC is to be the first area in the United States to allow non-lawyers to become partners in a law firm, just as er 19-30 to whether US lawyers should in non-legal work.

From next January, non-lawyers will be able to become equity partners in law firms in on and poster of law, according to a Compare practice of law, according to a ruling that was recently handed down by the local

Court of Appeals. At the same time, two rival committees are drafting directly contradictory rules for

'If a lawyer owns an ' investment banking firm, how can he advise his client on where to get investment advice? If lawyers can provide non-legal work, their

set waste to competitors should be
able to own law firms.

That would destroy the independence of law-Oral Engineering

> the American Bar Association (ABA) on whether lawyers should be allowed to do non-legal work, such as consulting and lobbying. Until now. ABA rules on such work were

The conflict owes its origin to the ABA's Stanley Commisions when it under the leadership of Justice s his trouble tial areas of difficulty for lawin Inter-Continue profession. yers in the conduct of their

They are: serving on boards of directors of client compa-Successful involvement such as stock ownership) with Inn. Swiss (a client company; and conducting non-legal work or "ancil-Achieving a lary business" for a client. In order to look at those issues, the ABA appointed a arandt Hole, let committee to come up with

recommendations. The committee sent round a communication questionnaire to firms they believed were conducting ancille lary business. Rather than

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Cafe Royal 12

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answer it, several firms banded together and presented the commission with a white paper on the issue. The committee then invited some of those firms to participate in a subcommittee specifically to look

at ancillary businesses. The sub-committee agreed that there should not be an outright han on ancillary busi-

However, Mr Dennis Block, who represented the litigation section of the ABA to the subcommittee, dissented and the litigation section, the largest group in the ABA, asked him to draft rules on the issue. The rules that Mr Block has drawn up call for a complete ban on lawyers conducting non-legal work.

Mr Block, of the New Yorkbased law firm Weil Gotshal & Manges, said: "We think that there is a professionalism probem with non-legal work. Lawyers owe their clients the duty of complete loyalty. If a lawyer owns an investment banking firm, how can he advise his client on where to get investment advice?

"At the same time we believe that if lawyers can provide non-legal work, their competitors in that field should be able to own law firms. And that's something that would destroy the independence of lawyers."

Mr Block says the sub-committee is biased because three of its members belong to firms that have ancillary business practices. One of them is Mr James Jones, chairman of Washington DC-based Arnold & Porter, whose firm owns three ancillary business sub-

Mr Jones said: "Many people who oppose ancillary work argue that it is a slippery slope for professionalism. But the sub-committee as a whole agrees that there are ethical questions involved. What we're saying is: there is no need for an outright ban but that there should be regulation that is disclosure-oriented."

Almost 80 of the nation's law firms offer non-legal services such as investment banking. financial and economic consulting, lobbying and property broking. Most of those firms have their centres in Washington DC.

Arnold & Porter, for example, has three subsidiaries: APCO Associates, a lobbying/ management-consulting firm; MPC & Associates, a property development consultancy that works mostly with non-profit groups such as the Ford Foun-

dation; and Secura, which provides services to financial insti-According to Mr Mark Fleischaker, a partner at Washington DC-based Arent, Fox, Kintner. Plotkin & Kahn, the

opposition to ancillary busi-

ness is largely a case of sour "They are more concerned about competition with Washington firms than they are

about ethics," he says. The sub-committee was planning to issue an interim report to the ABA at its next annual meeting to be held in Chicago in August. But the litigation section's draft rules have forced them to come up with rules of their own on regula-

Both sets of rules will debated in August by the ABA's house of delegates, which sets model rules for the profession, unless one side can be persuaded to back down. But according to Mr Mark Harrison, of Phoenix-based Harrison, Harper, Christian & Dichter, who heads the ABA committee on professionalism. whatever it rules, the profession is not legally bound to fol-

It is, bowever, required to follow the dictates of its local courts. So even if the ABA rules against ancillary businesses, Washington DC firms will be free to follow their new rule, which will allow them to admit non-lawyer partners, even though that is against ABA rules.

Mr Richard Jordan, of the Washington DC-based firm Steptoe & Johnson, who helped to draft the rules on non-lawyer partners, said: "We asked ourselves whether the present rules made sense in the modern world and in Washington DC. Many firms here have high-level non-lawyer professionals, such as administrative managers, non-lawyer lobbyists and anti-trust economists. and so we decided that there

was no need to prohibit non-

lawyers from taking part in the ownership of a law firm so long as lawyers follow professional conduct rules.

"But the rules are quite restrictive. Non-lawyers cannot own a law firm and if they become partners, they must agree to abide by the professional rules of conduct. At the same time the lawyers are expected to agree in writing to be responsible for the non-lawyers' conduct."

Other firms have, however, appointed partners to conduct non-legal work.

Earlier this year, Chicagobased Winston & Strawn signed up a public-relations The profession is across the structure.

required to follow the dictates of its local courts. So even if the ABA committee rules against ancillary businesses, Washington DC firms will be free to follow their new rule, which will allow them to admit non-lawyer

executive as a partner. Mr Loren Wittner, formerly executive vice-president of Edelman Public RelationsWorldwide, is, however, a qualified lawyer who practised in the 1960s and 1970s but switched over to public relations in the late 1970s. He was in charge of professional ser-

The debate over whether professionals should practise in areas outside their profession is not restricted to the legal profession.

vice accounts for Edelman that

included law firms.

Last year the Securities & Exchange Commission ruled that auditors could not provide non-audit services to their audit clients.

The auditors have fought back, arguing that they can set up rules of professional conduct that will regulate any possible conflicts of interest. So far the SEC has not backed down but it has said it will examine any proposed rules.

CONSTRUCTION CONTRACTS

Building a bank in Jeddah

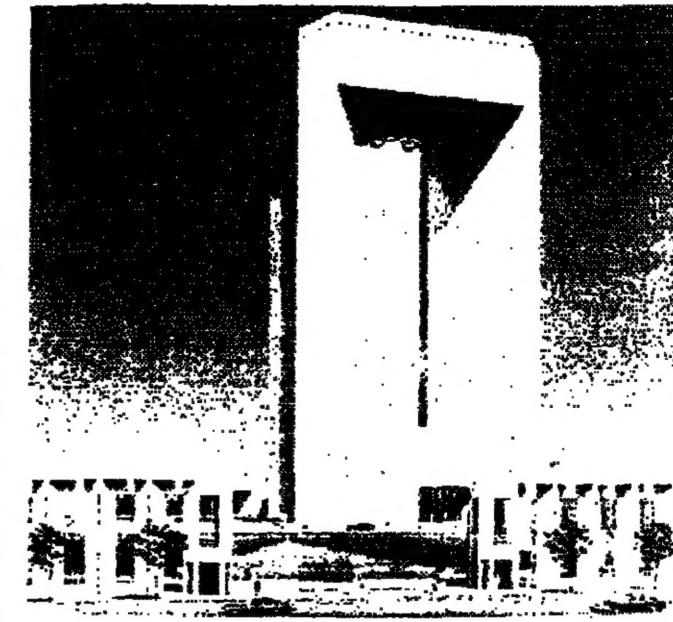
WOODROW TAYLOR INTERNATIONAL is preparing to start work on a new headquarters building for the Islamic Development Bank in Jeddah, Saudi Arabia

The bank, representing more that 40 Muslim nations, has issued the company with a letter of intent for phase one of the project, worth over \$US95m

Phase one includes a 22-storey tower, above two car-park basement levels, and a ground floor podium.

The steel-framed structure, 106 metres high by 50 metres square, incorporates two towers of offices stretching from the the fourth floor to the roof slab. These are separated by a courtyard running diagonally

The inner offices overlooking the courtyard will be clad in curtain-walling while external walls will be marble clad. The



complex will be surrounded by a colonnaded wall 12 metres

The tower will provide 72,000 sq metres of floor space, andwill be environmentally controlled, with monitoring systems for air conditioning. emergency and security protec-

Some 5,500 tonnes of structural steel. 55,000 cubic metres of concrete, and excavation of about 150,000 cubic metres of soil, will be required for the first phase.

Work on the 32-month project will start immediately after the official contract signing in September.

£30m orders for Miller Construction

MILLER CONSTRUCTION, part of the Miller Group, has started work on a number of recently won contracts totalling over £30m.

In the south, Miller Construction is erecting a threestorey building for the Institute of Food Research at Reading University, valued at £6.4m; a £5.3m contract has been awarded for a three- sto-

County Hospital in Winchester. a £1.5m police control post is under way for the PSA; and a £5m two-storey production facility is being built for Motorola at Swindon.

In London, the Borough of Merton intend to award a £2.8m road bridge package for the Morden Road/A24 junction. The Rugby office has been

for the Royal Hampshire build a design & technology centre for Rugby School. The Wakefield office continues the educational theme with awards for two schools for Leeds City Council: Grange Farm School at £1.7m and Wykebeck School at £1.8m. The North East office in Stockton has taken over the contract to extend Filmco International Inc.'s production facility at Sedgefield for

river bed, avoiding the need for two river crossings.

Turkish port silo complex

Crendon Structures Ltd., Long Crendon, Aylastain

Bucks, HP18 968, Tet Long Crendon (0844) 208481 Fac (0844) 201622 Tales: 83249

Scottish

motorway

A joint venture partnership

between EDMUND NUTTALL

and R.J. LEVACK has won a

Scottish Development Depart-

ment contract to build 4.5 km

of three-lane motorway and

three bridges on the M74

Elvanfoot to Paddy's Rickle

The £13.5m project starts

this month, and will take

about 104 weeks. The new

motorway link will replace the

A74 dual carriageway that

runs between the Lowther

Hills, some 40 miles south of

Glasgow and two miles north

of Beattock Summit. The A74

will be replaced with a single

carriageway, and the A702 will

Realigning the River Clyde is

included among the diversions

needed. This will alter the

course of the river from an ox-

bow to a gentle curve. The M74

can then be built over the old

Bridge.

be realigned.

A £30m order for a port silo complex at Derince in Turkey has been won by JOHN LAING INTERNATIONAL in partnership with MAPA, a Turkish company. Awarded by the Turkish Grain Board General Directorate, the contract calls for a 400 metre deep-waterberth quay able to handle 1200 tonnes of grain/hour. Included are conveyor bridges, 95,000 tonne capacity reinforced concrete silos and facilities for loading and unloading rail wagons and lorries. Buildings will include a control room amenity block, power house, workshop, stores and substations. Derince is a port on the Sea of Marmara, about 110 km from Istanbul.

awarded a £1.9m contract to rey ward and mortuary block Tesco superstore planned

for Liverpool suburb

COSTAIN CONSTRUCTION has been awarded a £6.7m contract by Tesco Stores to build a superstore in Formby, Liver-

The 6,503 sq metre store will have a bakery, coffee shop, public toilets, storage area and preparation rooms.

The predominantly singlestorey building will be built on piled concrete foundations with a reinforced concrete floor slab. The steel frame will be completed with concrete block insulated external walls, featuring red "multi" brickwork. Car parking for 514 vehicles will be provided. Work will be completed in January 1991. Costain has also been

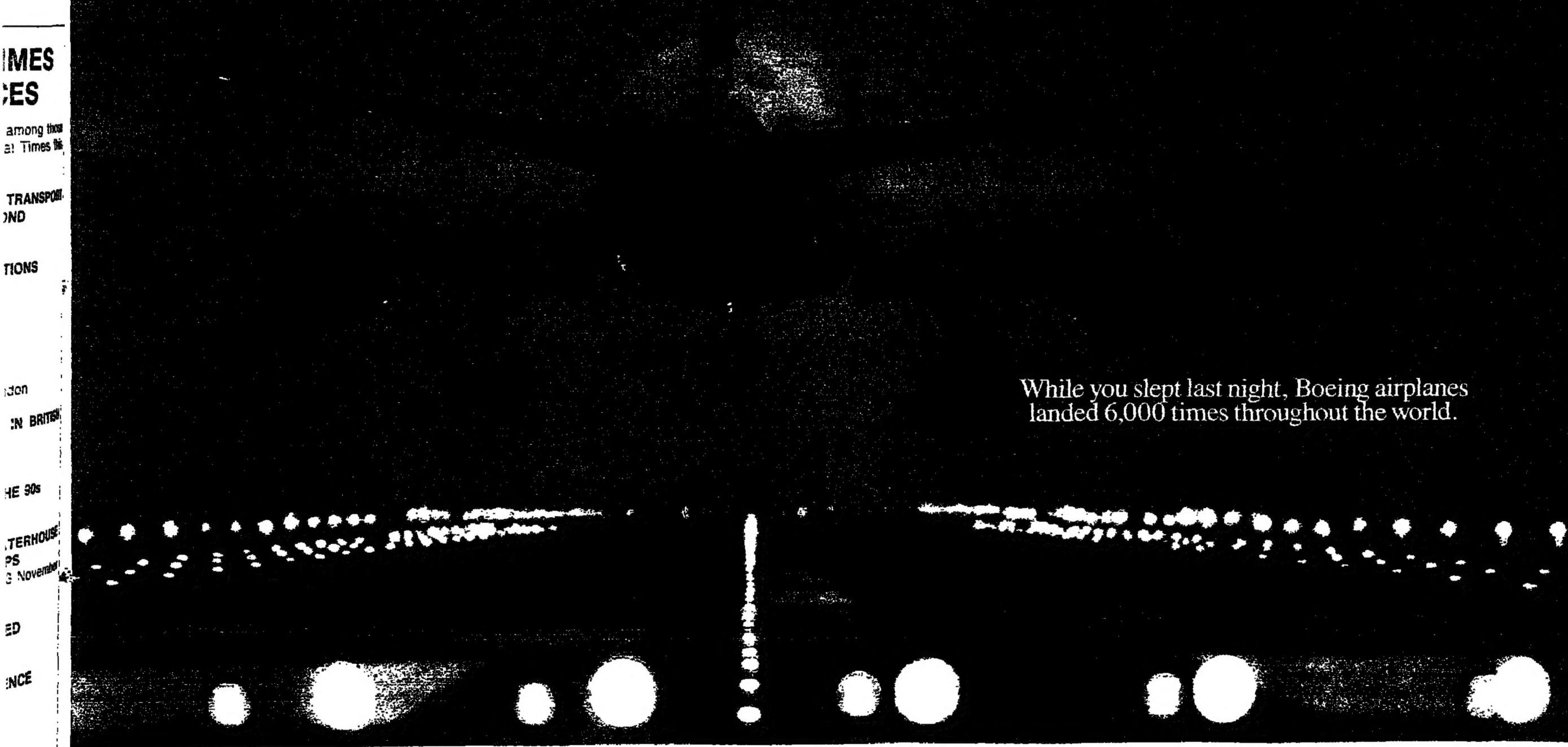
awarded a £4m contract by P A Consulting Services for an extension at the Sundridge Park Management Centre, Kent.

The three-storey building will connect with the Butten **Building. Facilities will include** a swimming pool, two squash courts, and a fitness room. The dining room will be extended. Work is to be completed in August 1991.

Refurbishing two wings at **Parkhurst**

BEAZER has been awarded an £11.8m contract by the Home Office for the refurbishment of A and D wings at the high security Parkhurst Prison on the Isle of Wight. A new segregation unit is to built.

The structural refurbishment of the two cell blocks will provide 182 single cells, each with sanitary fittings, and a new association area. Work starts in August for completion in June 1992.



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MANAGEMENT

UK computer industry

Rebuilding around an elusive core business

Once a star of the stock market, Alphameric is now under new management. Vanessa Houlder assesses its prospects

ven in a sector that is littered with fallen stars, Alphameric shone more brightly and then fell more steeply than most of its rivals. In its first three years on the stock market, the UK computer terminals company increased the value of its shares five-fold; in the next three, the shares lost 98 per cent of their value. Matters came to a head last

March, after a prolonged slump in orders from its financial and retail customers led to a proiected loss of £11m for the year. The company announced some emergency measures to reduce borrowings and

replaced most of its board with a new team from Octagon Industries, a consultancy run by Geoff Bristow and Robb Wilmot, former executives of ICL, the British computer company. Octagon specialises in turning round troubled electronics companies.

The new management is confident that its plans to rationalise and restructure the business will pay off. City commentators, however, are not so sure. At issue are questions of whether the company should persist with manufacturing, whether it can successfully collaborate with larger companies and whether the rationalisation of its operations, combined with the expansion of its share capital. will leave it too emaciated to

justify its independence. There are also differing views on the extent of the blame for the company's past mishaps. Like many high technology companies, Alphameric's technical brilliance was marred by over-optimism and over-expansion but the company was also affected by a

measure of bad luck. At first, the company was well placed with a broader spread of products than most, It built its business on high margin, customised computer keyboards and terminals for City dealing rooms - a side of its business that took off in the heady days leading up to the Big Bang in 1986.

As its dealing room business nose-dived after the 1987 crash, it was able to pin its hopes on a data broadcast system for retailers. Its City investors shared its confidence and in April 1988 they stumped up £9m in a rights issue for new acquisitions.

But the retail customers vanished as rapidly as the financial ones when interest rates started to rise. And the timing of an acquisition of a financial systems supplier bought in an attempt to broaden Alphawas some way off the bottom of the cycle. A year ago, its markets having evaporated. Alphameric moved into loss. By this stage, shareholders who wanted Alphameric to seek a merger with a larger group were berating the com-

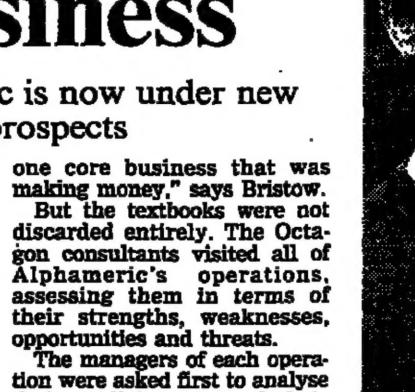
a dilatory reaction to its disappearing markets. It was also vulnerable to the criticism of over-ambition (in single-handedly developing the data broadcast system) and lack of depth of management. Given the pace of change of technology and markets. Alphameric could in some ways be applauded for its innovatory and expansive approach

pany for its over-optimism and

to new products and ideas. But the result was that, for a small company. Alphameric had a surprisingly large number of separate subsidiaries and operating units all around the world. "At the end it was a bunch of entrepreneurs, all running little companies," says one analyst.

This criticism is also voiced by Geoff Bristow, the managing director of Octagon Industries, who is now chairman of Alphameric. "If all of the intellect of the board had been directed at a core business, it might have been better," he

This lack of an obvious core business complicated the task of the new managers. "You could not look at the company with the classic textbook approach: what is the core business? can they stick to their knitting? There was not



their staff in terms of their

skills and salaries and then to

draw up their own mission

statement. Bristow describes

this as "the cornflake packet

test". "A manager must be able

to say in no more than 22

words: my company is going to

be the best in its chosen field

The fruit of all this labour

was a decision to "re-focus the

group's activities towards the

aim of becoming a leading sup-

plier of Man-Machine Interface

Systems which provide state-

of-the-art Command and Con-

or those unversed in the

boils down to making

computer systems easier to

use. It may be quicker to use a

"mouse" than a keyboard to

input instructions; it may be

clearer to display information

in four "windows" on one

screen rather than four sepa-

rate screens. These kinds of

improvement could make a sig-

nificant difference to people

using terminals in places like

City dealing rooms, power sta-

tions and flight control rooms.

to make it profitable by cutting

down the scale of the opera-

tion. Instead of installing an

entire system including com-

puter hardware and desks, it

would focus solely on software

and the maintenance of exist-

information is vital.

industry's jargon, this

hecause . . .

trol canabilities."

admits, is that the business also had experience at Texas may now be too small to stand alone. A possible answer, as he sees it, is to get access to hardware expertise, marketing skills and credibility by collaborating with computer manufacturers wanting to get involved in this area.

Bristow is more confident about the prospects for the keyboard business, which he sees as the "cash cow". Its profitability can be improved. he thinks, by subcontracting much of the manufacturing operation and concentrating on its marketing and design

expertise. The strategy for both divisions has a common approach. Bristow says: "One should not believe one can do everything oneself. It is a fundamental flaw in thinking that is almost endemic in British industry. You can't meet the giants head on. You specialise and then collaborate."

Some analysts are scentical. however. They worry that the where a quick reaction to new company may be getting rid of Accordingly, Bristow decided too much of its business, aimto make Alphameric's systems ing to replace it with even division its "star". It could more ephemeral ventures. build on its base in the equity There is also concern that the and foreign exchange markets company is now too small to and eventually bring in new create significant earnings for its shareholder base, which has customers in allied markets such as transport and utilities. been enlarged by two rights In the short term, he aimed issues in the past two years.

There are also differing levels of confidence in the Octagon Industries team. Their credentials are in some ways impressive. Robb Wilmot, who is a non-executive director of Alphameric, was credited with the turnround of ICL when he



Geoff Bristow (left) and Robb Wilmot turnround specialists

The problem, as Bristow was chief executive. Bristow Instruments and ICL before forming Octagon. He then led the turnround of Wordplex Information Systems, which increased its value from 26m to £19m before it was taken over by Norsk Data, a Norwegian computer company.

But the recent record of Octagon is flawed. A few weeks ago, Headland Group, which had been the subject of a rescue package by Octagon in 1987, fell back into the red and laid off a quarter of its staff. The aggressive growth strategy the company adopted after its apparent recovery a year ago has foundered after a trading downturn and an

expensive software delay. Bristow, who has now resumed his role of executive chairman relinquished a year ago, now thinks the company moved too far, too fast. "I was too ambitious although I think it is still on the right track. We could possibly have gone longer on the profit-before-growth

Octagon will be careful not to repeat its mistake with Alphameric, which it expects to move back into profit next year. But Headland's stumble is indicative of how difficult it is to sustain a small, high technology company. The low barriers to entry, the rapid pace of change and the speed with which niche products become commodities in a short time makes life difficult for the strongest management. With Headland and Alphameric, the Octagon team will have its skills amply tested.

Service industries

Customer retention is the key to profitability

By Simon Holberton

lowly but surely managers in the service industries are beginning to learn that "service" is a word that matters and not just a useful modifier to distinguish their activity from manufac-

US research has demonstrated the importance of the "delivery" of the service being sold. Some researchers, in analysing delivery, have gone so far as to suggest that the "service encounter" - the moment when the transaction takes place – is the service itself. These ideas have been

extremely important; they have helped change managers' thinking about service and its delivery. Intuitively, it seems reasonable that there should be a positive relationship between well served customers and companies' profitability. The improvement of customer satisfaction is certainly a business virtue to which

many aspire. Bain & Company, a US management consultancy, interviewed a group of senior managers and found that virtually all agreed that customer satisfaction was important; 75 per cent had instituted programmes to improve quality.

However, few tangible results ensued from these programmes; only a third of those interviewed found significant improvement in market share or profitability.

Bain has attempted to analyse the relationship between service, customer satisfaction and profitability. Robin Buchanan*, a partner of the firm in the UK, says the key to profitability is to be found in customer retention; he says he has a method for identifying ways of improving retention and methods for implementing those improvements.

Buchanan defines customer retention as the number of customers present at both the beginning and end of a period divided by the number of those present at the beginning.

For example, if you have 100 customers in January and 110 in December but only 85 of the original 100 were still customers then your retention rate is 85 per cent.

SCHLESINGER & COMPANY LTD

Investment

banking

for the regions'

The Bain premise is that the longer customers stay with a company the more profitable they become. This is for both positive and negative reasons. • The cost of acquiring new customers is high. Retaining customers will directly increase profits by amortising the cost of acquiring the cus-

tomer over a longer period of Customers who stay tend, over time, to spend more. Buchanan cites a client in industrial distribution. Its customers who have used the. company's services for 15 years spend more than four times the amount that a customer of two years does and eight times more than a brand

new customer. Regular customers cost less to serve. In insurance, underwriting costs as a percentage of sales fall by 40 per cent for renewal policies. The reason: upfront costs need not be incurred again, particularly risk evaluation.

publicity

• There are other benefits to having satisfied customers. Buchanan says that dissatisfled customers tell between eight and 15 others about their experience. "Just avoiding this negative publicity has a value," he says.

• Long-term customers are often willing to pay a premium for service. They are less prone to check competitiveness if they know and like the vendor.

High customer turnover is fertile ground for competitors. If retention is maximised the target group of customers for competitors shrinks; competitors have to try to dislodge This is expensive and time-consuming.

Bain calculated the impact on profits from a 5 per cent improvement in retention. The results are remarkable. For a credit card issuer a 5 per cent improvement in retention boosted profits by 125 per cent. For insurance brokers increase in profits: a software company had a \$5 per cent improvement in prefits.

These are very large numbers and auggest that many companies in the service sector can produce a step change in profitability by paying closer attention to retaining the customers they have. It also suggests that the parsuit of market share for its own sake may be misguided.

Buchanan says the way for ward for companies wanting to improve retention is to understand why they lose cas-He gives this a fancy name

- root cause analysis - but it is no more than applied research designed to locate faults within a service fielivery system and conduct competitor activity analysis. Looking inside the company,

Buchanan suggests that the best way to improve the quality of delivery is to analyse segments of the justiness to determine which has the best demonstrated practices and duplicate that throughout the organisation, though this foes raise the question of whether anything more than the least

worst is being promoted: Buchanan marshalls a fut of impressive evidence to suggest that customer retention is a pathway to much higher levels of profitability and success. But a reader is left wondering whether the shortest part of his presentation is not the most important.

This notes what ether researchers in the their long. been saying for some time. The best previders of service - are those that are able torespond most quickly to complaints. This means giving to front-line providers of service the power to make refunds. etc. The other important point. them by offering inducements. is the way some companies screen employees for those with a service orientation and make career advancement conditional upon giving good ser-

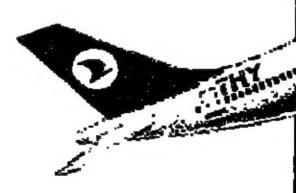
Vice. *A fuller presentation of the above research is due to be delivered by Robin Buckanan at a British Airways specieseed conference at the institute of there was a 50 per cent Directors in London teday.

SWIMMING IN HISTORY.



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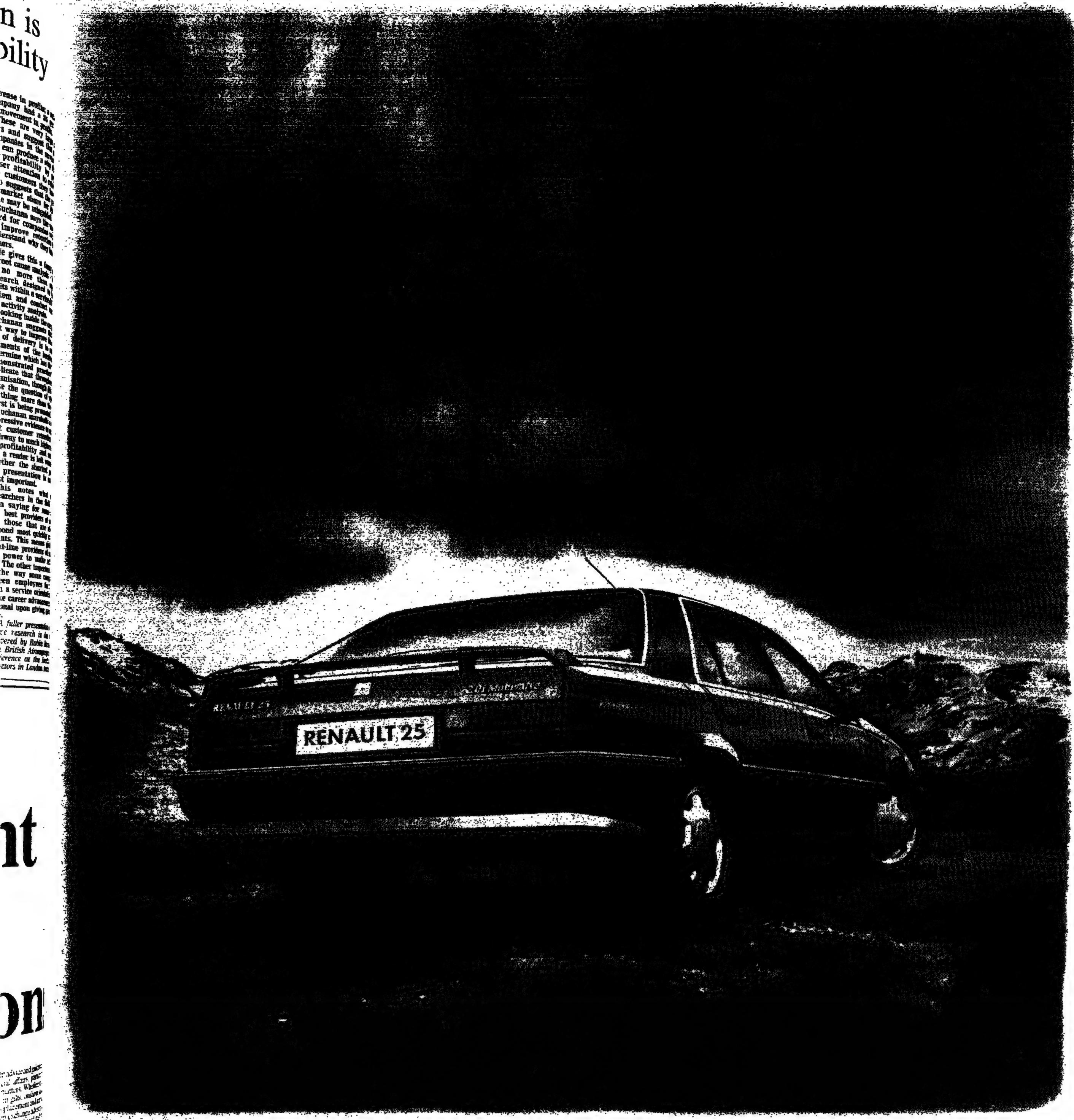
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he way some or en employees to a service original

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Cered by Robin in British Airmonn Crence at the inter-ctors in Landau



While there are plenty of people striving to arrive, a few will make a departure.

Conventional wisdom says you can't have a high performance luxury car below the 2 litre "break-point".

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1()() days aller Dulikith, everyone thought Hitler WOUIG win the war

100 days after the founding of Rome in 1000 BC, it had an empire the size of the Isle of Wight.

100 days after he first went to Hollywood, Fred Astaire was described as follows: 'Can't sing, can't act, can dance a little!

100 days after Frank Whittle invented the jet engine, his Professor of Aeronautical Engineering at Cambridge said: Very interesting, my boy, but it will never work.'

100 days after Marconi's 1895 invention, the President of the Royal Society told him: 'Radio has no future'

100 days after he was engaged to paint the Sistine Chapel, Michelangelo was still scribbling sketches.

100 days after it started, BSB has attracted advertising for over 240 different brands.

100 days after it started, BSB has become the favoured choice among those people intending to install satellite television.*

100 days after it started, BSB has already given over 150 films their British television première.

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A society which is worthy of appreciation

have always enjoyed the thought of those private worlds that are shared only by people with a particular common interest. I like the esoteric language of a gathering of den-drologists, or the peculiar nuances employed by knowledgable numismatists.

Such groups exist and indeed flourish in the world of architecture. There is a society devoted to the appreciation of Victorian buildings which is, as I write, touring with a large group of Americans around the declining inner cities of Britain. There is even a society which always sounds like rather a promising singles bar called the Thirties Society. In fact it is dedicated to the rapt examination of art deco and metal windows and must be worried stiff about the fate of

Battersea Power Station. Then there is the doyen of conservation societies founded by William Morris, The Society for the Protection of Ancient Buildings but the one which seems to be flourishing as never before is the group founded in 1937 as The Geor-

gian Group. It is not, as is sometime thought, a group of individuals devoted to dressing up in eighteenth century costume and prancing about at routs. It is dedicated to the saving of Georgian buildings monuments, parks and gardens from destruction. It encourages careful repair and restoration and has an educational mission to promote knowledge of Georgian architecture and town

COVENT GARDEN

This year, as every year, there

were the bright hopes and fran-

tically applauding family and

friends; the fresh faces and

eternal eagerness; the whistle-

clean dancing and the impecca-

The Royal Ballet School mat-

inee on Saturday was impres-

sive, more ambitious than

usual – and more rewarding.

A collection of divertissements

from Lower and Upper Schools

began the afternoon - the

rigid backs so right for jigs and

reels not at all suited to the

famous children's mazurka

from Paquita. This is a special-

ity of the Vaganova School in

Leningrad, where the young-

sters learn early the nuances of

national dance, but it looked

frozen on our juniors, who else-

where sparkled through folk

dances with entire aplomb and

ROYAL COLLEGE OF MUSIC

When the RCM announced

performances of Rossini's com-

edy one assumed that they had

done this on the strength of an

outstanding student capable of

handling the virtuosos title

Alas, this proved not to be

case on the first night last Fri-

day. The unfortunate tenor's

lack of the necessary high

notes must have been as

embarrassing for him as it was

ability of at least two transla-

tions, the performances were

given in French, one assumed

there were special strengths in

Wrong again: even though

two language coaches were

listed in the programme, the

standard of pronunciation and

declamation seldom rose above

Since, in spite of the avail-

role written for Nourrit.

for the audience.

that department too.

'Le Comte Ory

the neatest feet.

ble, innocent stage manners.

Perhaps slightly more controversially, it wants to encourage, "the appreciation

and enjoyment of all products of the classical tradition in England, from the time of Inigo Jones to the present day." I have only ever played a

nominal role on the group's committee and so I do not feel remotely compromised by confessing publicly my realisation of the effectiveness of the group and the impressiveness of the range of its

You would think that every

Englishman would want to preserve every Georgian house. After all, the well-proportioned red brick house with its white doorcase and white sash windows, is almost synonymous with our visual idea of the perfect home. But sadly the existence of a vigilante group like the Georgians is still neces-

For example the Georgian Group, which now has statutory responsibilities combined with a small amount of government funding, receives some seven to eight thousand listed building notifications per year. This represents only those notifications received from local authorities.

There may be less severe cases of destruction than there were in the 1930s or 1950s (it is hard to believe that Carlton House Terrace was to be demolished in the thirties) but the group has to be eagle-eyed about alterations and the ero-

From the senior students

three delights: an excellently

schooled entry of 28 Shades

from La Bayadere which was

superior to many a profes-

sional performance, and a

gravely radiant account of the

pas de deux from MacMillan's

This introduced the lovely

Monica Zamora, huge-eyed,

boasting a face which "reads"

wonderfully in the theatre, and

a lyricism of style that over-

came funereal tempi. She was

well partnered by the courte-

Improvisations which Antony

Tudor made for his students at

the Juilliard School in New

York was very imaginative.

Schumann's Scenes from Child-

hood, and a boy and girl (John

Howells, Jane Burn) playing

games. Tudor's dramatic sensi-

that of the secondary school.

College to settle on Ory was

the presence in Rosemary

Joshua of a coloratura soprano

with all the notes for the

Countess, an impressive tech-

nique and clean, penetrating

tone. It is near-tragic that such

abundant promise should have

fallen victim to the single most

depressing aspect of what was

the worst college production I

have seen in years: the abys-

mally low level of musical

preparation and accompani-

phrase to be sung with an

ounce of the wit, musical joy

and dangerous sensuousness

that in normal circumstances

can scarcely help welling out

of this miraculous score. But

no: in the pit James Lockhart

One longed for just one

ment

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FINANCIAL TIMES

SURGES BUSINESS NEWSTAPLE

Presumably what led the

The re-staging of Little

ous Robert Tewsley.

Royal Ballet School

Concerto.

planning and the decorative sion of detail from everyday Georgian buildings. The recently published Georgian Group Report and Journal gives an annual review of the

state of the art of conservation. It is an excellent publication and one that should be more widely available. I should have thought that

most people would be shocked to see the state of Danson Park in Bexley, a large villa by Sir Robert Taylor. The freeholder of this fine

but decaying building is Bexley Borough Council and difficulties exist between the leaseholder and English Heritage. The villa, which is in the same league as Harleyford and Barlaston (both of which are being restored), is listed grade one. The leader of the council is on record as saying the he hoped the building would fall down to resolve the problem. In Frome, Somerset, one of

the jewels of the West Country's classical architecture, the Rook Lane Chapel has been a long standing problem. It is a huge and beautiful Non-Conformist chapel of 1707 which has sadly now lost most of its interior fittings. The county council wants to turn it into commercial offices but have found it difficult to find anyone willing to make offers to the current owners.

tivities work powerfully - a

piece of cloth becomes a baby

to be nursed, and when the

fantasy ends, a sudden gust of

sadness exquisitely caught by

The Rake's Progress next,

fresh from Dame Ninette's

hands, and given with real

gusto with a very remarkable

impersonation of the Rake by

Matthew Hart. A careful begin-

ning - the first scene is diffi-

cult because it looks so easy -

but then Mr Hart claimed the

role. The card scene had a cut-

ting edge of despair; the mad-

house agonies were controlled

making - he is also an appren-

tice choreographer worth

watching - and there was fine

support from his colleagues.

including the sincere, touching

Betrayed Girl of Sarah Wildor.

bashed his way through the

music in strict tempo at a

dynamic level varying only

between a hearty mezzoforte

and fortissimo, and the hapless

cast could only follow suit: of

charm, humour and grace

If Mr Lockhart is as out of

sympathy with Rossini as he

sounds - and he has a perfect

right to be - then he could at

least have handed the baton

Compounding the indignities

heaped on Rossini was Mike

Ashman's broadly farcical pro-

duction, which was coarse

even on its own level and light

years from a comedy that is all

slyness, understatement and

vulgar little sexpot is to

remove at least two layers

there was no sign.

over to someone else.

Mr Hart is an artist in the

and heart-tearing.

Miss Burn.

At the heart of Buxton in Derbyshire is the magnificent stone crescent designed by John Carr of York. A large part of this arcaded crescent is now an empty hotel which has been closed for a year and is deter-

iorating rapidly. It is on the market but buyers seem, naturally, to be discouraged by the condition of the fabric.

Many parties are working to find a solution but it extremely worrying that a building of such high quality and value to the town should ever have been allowed to decline into such an appalling Spitalfields Market, is on the

doorstep of the group's premises. It is an important redevelopment that will very significantly effect one of the best early Georgian parts of Lon-

The group has struggled to modify the various schemes that have threatened to over-

Finally a Napoli divertisse

ment with Bournonville's

shared out among the young.

The staging has been made

by two eminent Danes, Anne-

Marie Vessel and Flemming

Ryberg. And it is in the clarity

of the RBS dancers that there

is something of the precision

which marked the dancing of

Mr Ryberg, the purest and

most elegant of Bournonville

stylists. It also marked the

It was not quite buoyant

enough, perhaps, from the all

greatly liked Eleanor O'Con-

nell's musical phrasing in her

solo. But nevertheless, it was

an excellent way to end an

from Rossini's multi-layered

depiction of this delirious

comic character. Bernard Cul-

shaw's zany decor would have

done nicely for Les Mamelles

de Tirésias, which was unfortu-

in recogniseable French, came

from Der-Shin Wang as Isolier:

her natural musicianship sur-

vived even the efforts of the

extremely modest of voice.

looked a great deal more

pleased with himself than he

had any right to be. Enough:

this performance was an abso-

lute disgrace, and repeats dur-

ing the course of the week

should be avoided like the pro-

Guy Harbottle (Raimbaud),

The best performance, sung

nately not on show.

repetiteurs.

Clement Crisp

excellent matinee.

the students, although

charm of Miss Vessel's perfor-

mences.

Danson Park in Bexley: difficulties exist between the leaseholder and English Heritage groups like the Georgians have to be equally active with the times delicate for a conservation group to attempt to influpropaganda.

> buildings. But the group is its tours and lectures and the range of its activities is stagright to try to educate planners gering. We need educational and developers and alert them to the quality of the surroundand propagandist conservationists as well as those who just like to look at old buildings. With a generous annual The Georgians are very much grant from The Monument Trust, the Georgian Group is in tune with architectural able to expand its educational thought at the moment. It demonstrates that we can all learn work. The production of handfrom our classical past, and books on Georgian windows, brickwork, doors, paint, colour, learn with pleasure and enthuwallpaper mouldings and iron-

The group is well-known for

siasm. The Georgian Group is at 37 Spital Square, London, E1. Tel: O71-377 1722, Fax: O71-247 3441.

Colin Amery

Capriccio

work is very useful. In a world

where the water board

encloses hideous brochures

urging you to buy aluminium

double glazing with their bills,

ence the design of new

GLYNDEBOURNE

Strauss's conversation-piece returned to Glyndebourne on Saturday in the familiar. well-liked production by John bounding felicities cleverly

> Bernard Haitink conducted a lively, polished performance, polished not in the sense of "stream of golden sound" but thoughtful, vital, highly differentiated in instrumental colour. His reading let many more words through than usual.

Only in the lyrical (verbally fairly conventional) avowals of love did Haitink allow the London Philharmonic to rise over the singers. The debates about the primacy of words or music were most carefully treated. When sheen and warmth were called for, they were forthcom-

Of course when the words come over so well, one notices how often the text contradicts the updating of the costumes to the twenties - references to Gluck and Goldoni either make no sense or sound affected. Dennis Lennon's set (not updated except for the furnishings) has outstaved its wel-

The blue walls seem to grow darker at every revival. The deliberate avoidance of 18th century clichés is understandable (German attempts in this opera at French rococo commonly look like restaurant repro) but Capriccio is about an informal day in a country house for the purpose of mainly amateur theatricals -

the guests are not even staying for supper. There is no need to design for a great social occasion like

the second act of Rosenkava-The touch of severity in Felicity Lott's hair-do and with it a suggestion of blue-stocking, before she changes for the evening meal, was thus exactly

right. Miss Lott duly softened

Rodney Milnes her manner for the final scene

which, once again, she did to admiration.

As her brother the Count, the rich-voiced Jeffrey Black was so operatic in manner that the character's objections to the genre seemed more than usually superficial.

As the two rivals, composer Flamand and poet Olivier, David Kuebler and Dale Duesing were more sharply contrasted in their manner (composer Flamand the more fastidious of the two) than in appearance. There was an important debut with Brigitte Fassbaender following (high time, too) in her distinguished father's footsteps. Willi Domgraf-Fassbaender was the first Glyndebourne Figaro and played other leading roles in

the pre-war seasons. This fine mezzo needs no praise on this page. As Clairon the actress, come to rehearse the play which the besotted Count has written for her. Fassbaender gave a study of friendly flamboyance remarkable among other things for her refusal to exaggerate. Many opera singers could learn

from her how to listen on Ernst Gutstein returns to the role of Laroche the theatre-director (the most important in the opera after the Countess) giving a splendid display of ripe character-singing, energetic but controlled, full of

authority. A passing sign of fatigue (it. was a hot evening) in the big monologue in the second part was soon over.

Marta Taddei and Bonaventura Bottone made the antics of the Italian singers quite entertaining. Francis Egerton was the tiny, aged prompter Monsieur Taupe. Robert Hayward brought poise and perfect timing to the small but reward-

Ronald Crichton

ing part of the major-domo.

July 13-19

tral instruments (trumpets. horn, trombones, tuba) rather than band instruments such as the cornet, tenor horn and euphonium.

They play a wide repertory and have been expanding it by commissioning new works and

Friday night. The level of ability declared

startling. All three gave evidence of a fine ear, a confident understanding of brass techniques and idioms, and a strong sense of musical form. All three, as Nigel Osborne (spokesman for the panel of judges - the three composers also on the programme) pointed out, had a notable freshness of sound and inde-

All three were distinctly enjoyable.

Margaret O'Hagan's Cacophony was a misleadingly titled, deft and satisfying manipulaof sub-groups of the

nion Fragments was a subtly imaginative piece with a haunting early passage in quiet dotted rhythms which made me sit up.

hear the work again.

matching where difficulty in one medium echoes and amplifies difficulty in another - is a portrait of ABT in the late 80s. reported on this choreographic fire-cracker last year when the company was in Paris. The image continues to be punchy, energetic, bright in

writing - a typically skilled

American Ballet

Theatre

American Ballet Theatre's final

programmes at the end of their

brief visit were a far truer (and

also more flattering) portrait of

the company than those at the

On Saturday night Tudor's

The Leaves are Fading, Mark

Morris's Drink to Me Only and Agnes de Mille's Rodeo told

a great deal about the com-

pany's identity across the

The Tudor piece is extrava-

gantly "lyrical" to Dvorak

string music, and there is a

suspicion that too many feet

are wet with autumn dews as

it goes on, but it was per-

formed with distinction by its

cast, and in Amanda McRer-

row the ballerina role has an

outstanding exponent. With

her exquisitely fine line, unfal-

tering ease, Miss McKerrow

phrases the dance with a natu-

tlest variations of feeling as of

together with Julio Bocca's

astonishing Don Quixote - the

most distinguished dancing of

Leaves represents the ABT of

the mid-70s. Morris's set of

dance studies to Virgil Thom-

son's transcendental piano

ral grace, colours it with gen-

I thought that this

beginning of the week.

COLISEUM

vears.

dynamics.

the season.

technique, with a new-style bravura evident in such jolly moments as the Tango for three men, and exceptionally so in the ebullient dancing of both Gil Boggs and Robert Wallace in a role made for Barvshnikov.

And the "traditional" ABT is still there with Rodeo, wearing its near five decades with some lightness. It is cast-iron Americana, and nothing can erode its efficiency.

On Saturday evening, Kathleen Moore assumed the denims and tomboy ways of the Cowgirl, John Gardner was the Roper, Victor Barbee the Wran-

There was sunset on the back-cloth and the limitless plains, square-dancing, and a happy ending we do not ask for more.

Clement Crisp



Hampstead gets Sugar Hill Blues

Liza Sadovy and Pauline Black the Croydon Warehouse in find a passing harmony amid a clash of cultures and of musical styles in Kevin Hood's jazz odyssey Sugar Hill Blues. which was warmly reviewed on this page when it opened at

March. award-winning author of The

This latest play by the Astronomer's Garden, has just opened at the Hampstead

Matthew King's Recitative

from The Book of Job was the

most ambitious and extended

of the three, with a sizeable

obbligato part for horn (Frank

deserved to win first prize, but

it is those dotted rhythms by

Deidre Gribbin (she and O'Ha-

gan were awarded a joint sec-

ond prize) that remain in my

The ensemble, conducted by

trombonist Roger Harvey, gave the works immaculate perfor-

mances. Whether soulfully

smooth in the way that only

brass ensembles can be, or slic-

ing, biting or crunching, their

sound is irresistible to the ear.

works were played without

conductor, unless you count as

such the rather sinister-

looking metronome promi-

nently deployed as a non-elec-

tronic "click-track" in Dominic

Muldowney's complex but

vivid Un Carnaval cubiste

Anthony Payne's Fanfares

and Processional (1986) was

striking for, among other

things, the way in which it was

able to make the opposed musi-

cal states of its title sound

new Canzona offered a musical

impression of a Turner impres-

Nigel Osborne's absorbing

The three commissioned

It was highly impressive and

London Brass

ELIZABETH HALL

London Brass is not a brass band but a brass ensemble, 10strong, and featuring orches-

setting up a composers compe-

Three of the former and three fruits of the latter were presented to a tiny audience at

the Queen Elizabeth Hall on

by the competition pieces was pendent-mindedness of

approach.

Deidre Gribbin's The Isam-I would very much like to

sion of Venice, and drew on formal methods used by that Venetian composer for brass ensembles. Giovanni

simultaneously.

Paul Driver

Welsh National Opera to visit Japan

theatre in Tokyo. As part of the festival of British Culture, UK 90, WNO's performances are being spon- conduct both.

They will be Peter Stein's production of Verdi's Falstaff and André Engel's of Strauss's Salome

Richard Armstrong, WNO's former Musical Director, will

ARTS GUIDE

To play the Countess as a

MUSIC

insinuation.

London

Auryn String Quartet, Haydn, Mozart, Beethoven (Tues). Stationers' Hall, Ave Maria Lane, EC4. (071-248-4260). London Chamber Orchestra. All Mozart programme (Wed). Queen Elizabeth Hail, South Bank Cen-

tre (071-928-8800). City of London Simfonia and London Symphony Chorus conducted by Richard Hickox. Tippett's A Child of our Time (Wed). Southwark Cathedral (071-248-4260).

Festivals in France

Festival Estival. Ensemble Musique Oblique conducted by Georges Benjamin. G. Benjamin Murail, Harvey (Tue). Auditorium des Halles Il Seminario Musicale with Gerard Lesne as conductor and counter-tenor, Vivaldi (Wed). Saint-Severin Church. Byzantine and Syriac chants accompanied by lute, flute andoriental cither (Thur). Notre-

Dame-du-Travail Church, 59,

Rue Vercingetorix, Metro Per-

nety (48049801). Montpellier

Montpellier and Radio France International Festival stages 80 concerts, among them a Franck Martin oratorio, Martucci's Chants du Souvenir, pianists Victoria Posmikova, Firkusny, Kvapil, Chiu and 15 jazz concerts. July 13-Aug 2 (67533433).

Beaune

verbial bubonic.

International Encounters, L'Orchestre du Siecle des Lumieres. Gand Collegium Vocale, Amsterdam Baroque Chamber Orchestra and Ton Koopman, the Soviet State Symphony Orchestra. Ends July 22 (80222451).

La Chaise-Dieu

La Grande Ecurieet Chambre du Roy, conducted by Claude Malgoire, Moscow Philharmonic Orchestra. Aug 23-Sept 3. (71094828).

Brussels

Xenia Konsek (soprano), Olivier Roberti (piano). Lieder by Mozart, Schubert (Thur). Centre Culturel des Riches-Claires, 24 Rue des Riches-Claires.

Antwerp

Auine Music festival, Gozee Abbaye d'Aulne (Thurs) (071/

Amsterdam Daniel Wayenberg (piano). Cho-

pin, Liszt (Tues). Concertgebouw (718 345).Hungarian Virtuosi with Miklos Szenthelyi, James Brooks Bruzzese. Boccherini, Barber, Bartok. Vivaldi (Thur). Concertgebouw (TIS 345).

Weimar

Cultural Festival (July 16-Aug 11). Weimar, the centre of German classical culture, is to stage the first pan-German festival. profits from which will go to

be reconstruction of this badly neglected city. Directed by Kari Steff-Wolfsjaeger, the festival will be staged in the original houses of Goethe, Schiller, Liszt, Bach, who will be the central themes of the four week events.

Schleswig Holstein Festival

This year's 5th Schleswig Hol-

(0228/693969; fax 695158).

stein festival, initiated and directed by Justus Frantz, has been enlarged to nearly 180 concerts in 32 different venues. The festival's own orchestra, will train throughout the summer in Salzau with 5 different conductors, Sir Georg Solti, Christoph Eschenbach, Jiri Belohlavak, Paavo Berglund and Semyon Bychko. Soloists include Alban Berg Quartet, Igor Oistrach. Natalia Gutman: Boris Pergamenschikow, Heinrich Schiff, Olaf Baer, Dietrich Fischer-Dieskau, Hermann Prey, Peter Schreier, Arleen Auger, Christa Ludwig, Rudolf Buchbinder,

Barry Douglas: Katia and Mar-

ielle Labeque, Murray Perahia

and James Galway. Until August 19. Information: Kartenzentrale

Schleswig Holstein Musik Festi-

val Postfach 3840, 2300 Kiel Tel

Rome Serenate in Chiostro 1990, Cham-

(0431) 567080.

ber concerts in the beautiful cioister of S. Maria Della Pace. The Piccola Academia conducted by Marcello Bufalini playing Mozart, Haydn and Beethoven (Thur) (6868441). Roma/Europa Festival. Romanian composer Aurele Stroe's Le Eumenidi o la Citta Aperta

Academy, also works by young composers at the French Academy (Thur), Palazzo Farnese (info 3230884; tickets 654460111)

and ancient and modern folk

Contemporary German music

by young composers from the

German Academy (Wed), Spanish

music from Greece (Tues, Wed).

Barceiona

Concerto Italiano conducted by Rinaldo Alessandrini. Monteverdi, Castello, Cavalieri, Frescobaldi (Tues), Placa del Rel (318 25 25).

New York

Mostly Mozart Festival, Jean-Pierre Rampal (flute) and the Mendelssohn String Quartet with John Ritter (piano). Mozart, Haydn, Kuhlau (Mon); Mostly Mozart Festival Orchestra conducted by Gerard Schwarz with Jean-Pierre Rampal (flute) and Cecilia Bartoli (mezzo-coprano). Vanhal, Pleyel, Mozart, Rossini (Tue, Wed); Tokyo String Quartet with Richard Stoltzman (clarinet) and Kazuhito Yamashita (guitar) Boccherini, Mozart, Beethoven (Thur). Avery Fisher Hall, Lincoln Center (874 6770). St Luke's Chamber Ensemble with Deborah Hoffman (harp). Baerman, Bruce Adolphe, Mozart (Thur). Caramoor Festival. Katonah (914 232 1252).

Chicago

Ravinia Festival. Beaux Arts Trio. Haydn, Copland, Smetana, Schubert (Mon) and Haydn, Mendelssohn, Dvorak (Tue); Chicago Symphony Orchestra conducted by James Conlon. Mahler (Thur). Highland Park (728 4642).

Gabrieli.

the autumn. It will present six perfor-

The Welsh National Opera is to sored by the Tokyo Bunkamake its first visit to Japan in mura Inc. mances at the new Bunkamura

FINANCIALTIMES

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Monday July 16 1990

The choices in Europe

THE immediate effect of the resignation of Mr Nicholas Ridley over the weekend was that the British opponents of European monetary union - and its corollary closer political union - will now be weak-

ened. Mr Ridley's successor as Secretary for Trade and Industry is Mr Peter Lilley, a "No Turning Back" Conservative of like-minded persuasion. This retains the nominal balance of opinion within Mrs Margaret Thatcher's Cabinet, but Mr Lilley does not bring to the job the weight of experience and assertiveness that gave Mr Rid-

ley his strength. The proponents of pragmatism and compromise, such as Mr Douglas Hurd, Foreign Secretary, and Mr John Major, the Chancellor, will be the gainers. Mr Hurd's smooth diplomatic phrases have been combined with Mr Major's diversionary deployment of a plan for a "hard" European currency unit. Their purpose has been to bridge the growing divide between those Tories who are fundamentally opposed to the absorption of the UK into what may one day become a quasifederal European Community and those who see this as an inevitable consequence of the loss of empire and the dissolution of the special relationship with the US.

Until last week this strategy seemed to be working, at least in terms of maintaining the unity of the party, but it may have been blown away by the publication of Mr Ridley's interview in the Spectator on Thursday, not to mention the subsequent efforts of his friends and supporters within the Government to dissuade

him from resigning. The Prime Minister's failure to take immediate action, and her evident half-desire to retain him in her Cabinet confirm the picture of her as one whose instincts are not very far from his own. Mrs Thatcher is not by nature comfortable with compromise. She may now have no option but to accept Britain's early entry into the exchange rate mechanism of the European Monetary System, but it is impossible to imagine her acceding to monetary union or any seriously authoritative European federal reserve bank, or further genuine political union.

During the coming 18 months it will become increasingly difficult to avoid declarations of support for, or opposition to, steps in the direction of each of these apparent EC goals. From the Tory point of view this could be an extremely damaging year and a half. An internal debate with the destructive potential of the 19th century row over the Corn Laws must now be conducted in the open. Previous internal disputes on the EC resulted in the loss from the Cabinet of Mr Michael Heseltine, Mr Leon Brittan and Mr Nigel Lawson, plus the sideways move of Sir Geoffrey Howe; all of those could come to seem like dress rehearsals for what lies ahead.

Potential victim

Everyone knows where Mrs Thatcher stands: the consequence is that she herself could be the ultimate political victim of what is without question the most serious split among Conservatives since

From the national point of view the clarification of the debate along Ridley-Thatcher lines could, if properly channelled, turn out to be benefi-

The acceptance of a single currency and a Eurofed would significantly alter the character of the British polity. Britain is not well-placed to take best advantage of these likely developments, while it cannot afford to stand alone outside them.

This fact needs to be faced, and the proper conclusions drawn. The best lines of debate would be to begin with the proposition that it is never to late to make a fresh start. The need is for what Mrs Thatcher would no doubt label "sound" policies on education and training, a monetary policy freed from the electoral cycle, and a willingness to go through what would be some years of difficult adjustment.

Only such a package would put Britain in a position to compete with France and Germany rather than whinge about their strength. If Mr Ridley has helped by his departure to clarify these issues, he will have done a greater service than any he did in office.

A strategy for world poverty

PEACE IS starting to break out all over the world. Prosperity is not. One billion people one in five of the world's population - are struggling to exist on less than \$1 a day, one of the World Bank's definitions of poverty. The figures are the more shaming for the billions of dollars of aid misdirected by donor countries and misused by recipients in the last four

As the threat of military confrontation between superpowers recedes, perhaps the best hope for the deprived, who live primarily in South Asia and in sub-Saharan Africa, is that their plight might crawl higher up the list of priorities for the last decade of this century.

This does not necessarily mean throwing more good cash after bad. The World Bank's World Development Report 1990, published today, reminds us of lost opportunities and wasted expenditure.

Whether it was the promotion of economic growth as the key to reducing poverty, de riqueur in the 1950s and 1960s, or the more recent well-intentioned but often unfocussed shift towards policy-based lending by institutions such as the World Bank, the results have not been good.

Wrong turning

It is true that incomes, even of those still impoverished. have been rising. Life expectancy, infant survival and enrolment for primary educacountries. But destitution remains all too instantly visible throughout the developing world; there are enough abandoned irrigation projects and broken water pumps, unrepaired through lack of training or because of the uselessness of an instruction leaflet to an illiterate peasant farmer, to underline how badly things have gone wrong.

Today's report has some sensible suggestions for a better way forward. The most important is the need to attack poverty on two fronts simultaneously, promoting the productive use of the poor's most valuable asset - labour together with the provision of essential social services of which basic health care and primary education are arguably the most important.

If any one lesson has been learned in the last 40 years of aid to the Third World it is that each of these strategy arms will fail without the

While developing countries will need to adjust their domestic policies to assist the poor and use their labour, they require concomitant changes

in international policy.

Industrial country liberalisation, particularly in farm trade policies, remains an important goal, although for some poor countries the benefits might be slow to materialise.

Essential revision

A revision of aid policies is essential, and the results would be quick to make an impact. In 1988 official development assistance was \$81bn, half the net receipts of external capital of the developing world. Poverty alleviation was often not a priority.

The reports sums up the problem succinctly: "Enormous sums have been spent for purposes that have nothing whatever to do with reducing poverty - military expendi tures, for example, and lavish cathedrals in the desert." In 1986 the developing countries spent \$159bn on their armed forces, five times their receipts

This is absurd. The onus must now be on developing countries to show that they are more interested in fighting poverty than fighting each tries must become more concerned about the use of aid dollars for aid than as indirect subsidies to their arms procurement industries. In spite of obvious objections of paternalism and interventionism, it seems only sensible that allocation of development aid should depend largely on the uses countries make of their overall resources and on the seriousness they demonstrate towards

the reduction of poverty. If The World Development Report cannot report in the year 2000 that the number of poor in Africa has been contained and that the numbers elsewhere have been halved. the governments of both developed and developing countries will be responsible for ending the century on a note of abject and avoidable failure.

r Alain Gomez, chairman of Thomson, France's leading electronics company, has a poker player's nerve. In the face of rapidly mounting risks and uncertainties in all the state-owned group's main businesses, he is betting everything on an audacious game of double or quits.

Riding on his gamble is Thomson's future as Europe's largest defence electronics supplier, its second-biggest consumer electronics manufacturer and an important player in semicon-

ductors. Also at stake is French national pride — and huge state investments in Thomson's quest for global industrial leadership. Thomson has defied the French Government's broader retreat from interventionism and clung to a traditional national champion role by wrapping itself in the European flag. Like the troubled Dutch Philips group, it insists its fate will determine whether Europe can retain an advanced electronics industry at all or will be obliged to submit to Japa-

nese dominance. After appraising Thomson's portfo-lio of activities, many businessmen might be tempted to conclude that its best hope would be to cut and run. However, far from pulling back, it is plunging - or being drawn - into still deeper commitments to its main-

stream operations: In defence electronics, about 40 per cent of its FFr76.7bn turnover last year, Thomson has reacted to weaker orders and an uncertain market by launching a succession of bold acquisitions and alliances across Europe. In consumer electronics, at best a marginally profitable business subject to intense competition, Thomson plans to spend FFr20bn over five years, chiefly in an effort to leapfrog the Japanese in the as yet unproven market for High-Definition Television (HDTV) systems.

 In semiconductors – the economics of which Mr Gomez describes as "devilish" - Thomson is committed to a policy of technological independence which will require large investments in SGS-Thomson (ST), the third-largest European-owned chipmaker, in which it has a 50 per cent stake.

Thomson executives say state ownership allows them to pursue plans riskier than some analysts think prudent

The 51-year-old Mr Gomez says his group aims to achieve a durable world-class position in all these businesses. Though such claims are widely questioned, even sceptics say his impressive record as a manager makes them hard to dismiss lightly. A former paratrooper who gradu-

ated from France's elite Ecole Nationale d'Administration, Mr Gomez became chairman of Thomson in 1982, when the group was near-bankrupt. He has restored it to profit by drastically rationalising its businesses, galvanising its management and imposing stringent commercial disciplines. However, the challenges today look at least as stiff as those eight years ago, "Gomez saved Thomson once," says Mr Paul Goldschmidt of the Paris office of management consultants

Bain. The question is, can be do it a second time? Fortunately for Mr Gomez, he has a powerful ally in the French Government, which owns all of Thomson S.A., the group holding company, and its consumer electronics and white goods businesses. It also controls 60 per cent of Thomson-CSF, the group's

publicly-quoted defence subsidiary. Thomson executives say state ownership allows them to pursue risky long-term strategies - riskier than some industry analysts think prudent. Guy de Jonquières and Will Dawkins on the risky strategy pursued by France's leading electronics company

Keeping cool in a high-stakes game

Says Mr Piers Whitehead of Robert Fleming Securities in London: "Thomson S.A. does things no quoted company can do. Thomson-CSF does things no quoted company should

The stock market seems to agree. Thomson-CSF's share price has halved in the past 18 months and is barely a third of its 1986 high of FFr352. New defence orders have fallen to only three-quarters the level of sales, which Mr Gomez expects to decline 20 per cent by 1995. Some analysts expect profits to drop even more steeply after a lucrative \$4bn Saudi missile system contract ends in 1992. So far, the French defence ministry has not cut spending and is seeking

an increase next year. However, the ministry accounted for less than 40 per cent of Thomson's defence sales last year, and it is in any case doubtful that it can resist cuts indefinitely. "We'll be crossing the desert for the next few years," says Mr Bernard Cambier, a Thomson-CSF directorgeneral.

Mr Gomez has promised that Thomson-CSF's margins will remain at 5 per cent to 6 per cent of sales. But it seems likely to have to rely heavily on investment income, which provided almost half its FFr2.63bn profits last year. It accumulated a sizable cash mountain in the 1980s, which it exchanged for 14 per cent of Crédit Lyonnais last year on orders from the Government, which was anxious to re-capitalise the nationalised bank.

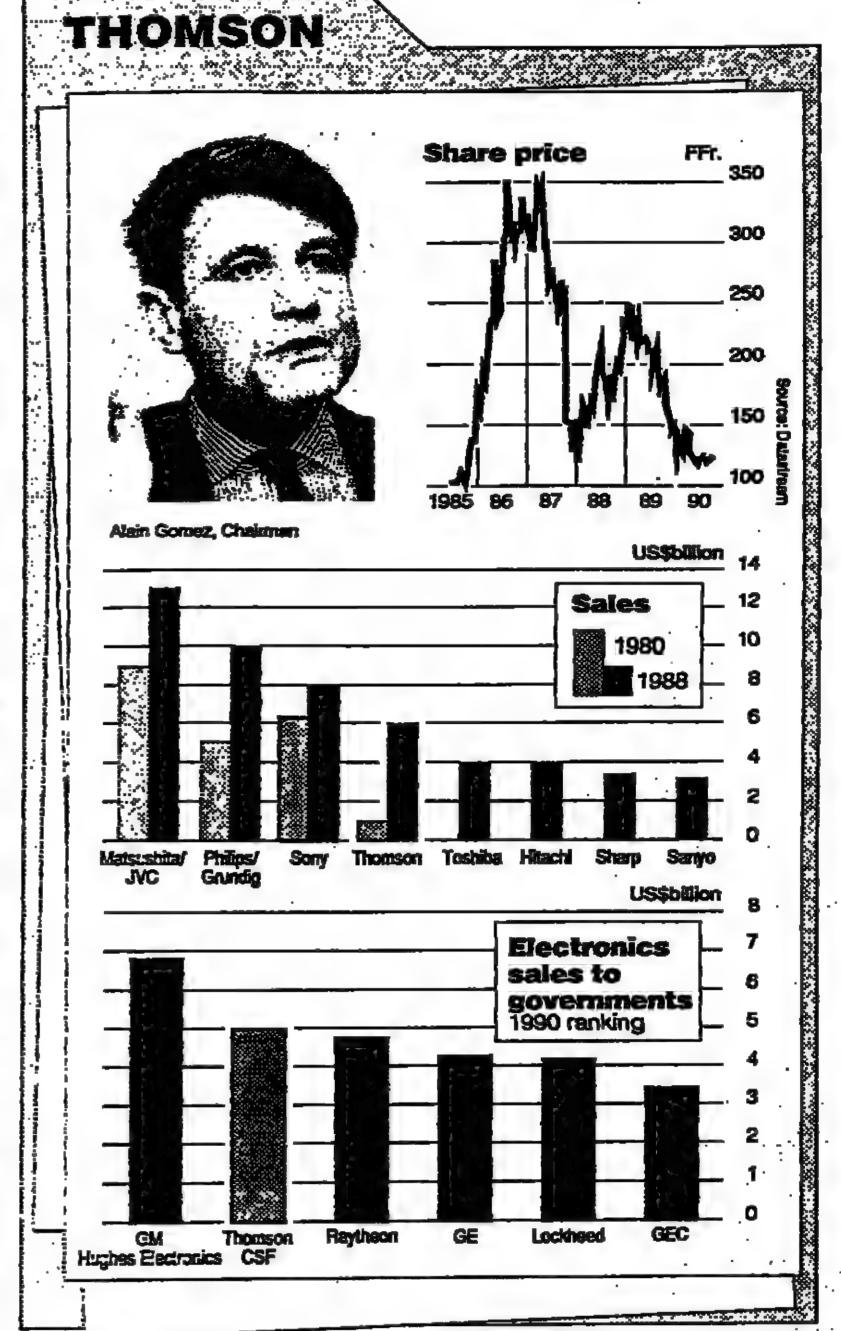
Though Thomson-CSF is optimistic about increased military sales in Asia and prospects in air traffic control systems, its strategy hinges on capturing a bigger share of a shrinking European defence market by absorbing smaller rivals. It recently bought most of Philips's European defence electronics activities, the British simulator manufacturer, Link-Miles, and a half share in Ferranti's sonar business in the UK, after failing to buy Ferranti's radar operations.

Mr Alain Hagelauer, Thomson's finance director, says it could raise more than FFr20bn for further acquisitions, but adds: "We're not buying companies right, left and centre just for the sake of it." Where Thomson cannot acquire, it is going for alliances - with British Aerospace in missile systems, with General Electric Company in radar development and with Aérospatiale in avionics.

To pay off, the strategy needs to produce not only research and development savings, but access to new markets. But Mr Gomez complains that defence procurement in Europe is still dominated by "fingoist" attitudes and fears efforts to acquire US defence contractors will continue to meet opposition there.

On this score, state ownership may prove a double-edged sword. Though it gives Thomson access to greater resources than many of its privatelyowned European rivals, it risks creating political obstacles to foreign expansion by fuelling suspicions that the group is a vehicle for promoting French national interests.

Thomson's next most pressing problem is the mounting cost of its involvement in semiconductor production, which Mr Gomez calls "absolutely essential protection ... If we did not ensure our semiconductor



base, it is pretty obvious Japanese semiconductor companies would control 100 per cent of the market and we would depend on them. That is not

ST, formed by merging Thomson's semiconductor business with the state-owned SGS-Ates of Italy in 1987. scraped into the black last year after heavy losses. However, ST's management believes that, to survive, it needs sales at least treble last year's \$1.3bn and must enter the fiercely competitive business of mass-producing D-Ram memory chips. Both courses require huge investments for highly uncertain financial returns.

ST and its parents hope to share the costs with a partner. West Germany's Siemens, the only European-owned D-Ram producer, is the front-runner, though an agreement still seems some way off. But a deal would offer only a partial solution. Even in a good year,

margins in volume chipmaking are too slim to cover the business's voracious capital needs, which must increasingly be funded by profits earned on products which use chips. As a free-standing chipmaker, ST is at a disadvantage against its verti-

cally integrated Japanese rivals. which sell much of their output in-house. ST supplies few chips to l'homson-CSF and only about 15 per cent of the more specialised components used by Thomson Consumer Electronics (TCE). Mr Gomez wants to double that proportion, but only if ST is competitive on price and quality. Thomson's biggest gamble by far,

however, is in consumer electronics, where it has expanded so far by rapid acquisition. Since the 1970s it has bought a string of smaller European rivals and in 1987 entered the US by purchasing RCA. But its increased scale has yet to yield worthwhile prof-

its. In 1988, the last year it published results, TCE made a FFr222m net loss on sales of FFr33.9bn.

TCE is seeking to cut costs by man. ing production offshore: it already makes all its smaller colour television sets and tubes in south-east Asia, and many of its video-recorders will come from a new Singapore plant shared with Toshiba of Japan. None the less and despite extensive protection from European Community anti-dumping actions, Thomson complains it is suffering badly from continuously falling prices in the industry.

Its chances of fighting back hinge crucially on HDTV, a highly sophisticated new generation of television offering improved picture quality and innovative features. As well as offering a large new market for sets and video-recorders, HDTV is expected to generate technological spin-offs for Thomson-CSF, which enjoys few synergies with TCE today. Though the Japanese pioneered

HDTV. Thomson thinks it can beat them at their own game. With Philips, it has persuaded Europe to adopt its own HDTV standard, which is technically incompatible with the system in Japan. The companies hope to win a vital breathing space by depriving Japanese consumer electronics mantifacturers of the advantages they gain by using their closed home market as a springboard for overseas expansion. To compete in HDTV in Europe, the Japanese will need to start from scratch, using European technology. But Thomson wants more. It is seeking to match Japanese industry's favourable cost of capital by securing

French Government subsidies for its HDTV research and development efforts. It is also urging stiffer EC anti-dumping penalties against Japanese imports and special tariff protection on consumer electronics products. The French Government, which

views HDTV almost as a religious crisade and last year injected FFr2bn in equity capital into Thomson, is expected to back these demands. The crucial question is whether even the whole-hearted support of the French state will be enough.

There is growing concern in Paris at the attitude of West German broadcasting organisations which, Thomson fears, are seeking a pretext to pull out of HDTV altogether. That could leave France as the only country fully committed to the "European" system.

Furthermore, any government assistance to Thomson Is bound to attract close scrutiny from EC competition watchdogs, which insist that it must be on strict commercial terms. Demands for still more trade protection could also prove hard to sell in Brussels, when the General Agreement on Tariffs and Trade Uruguay Round is faltering and some EC governments believe the Commission is already bending its anti-dumping rules too far.

Ultimately, though, the HDTV battle will be decided by consumer preference. Thomson has yet to develop its products and technology and is banking on a planned FFr20bn collaborative effort with Philips. But prospects have been clouded by the financial crisis at the Dutch company, whose relations with Thomson have in any case been increasingly strained by tensions at senior management

In the face of all these challenges Mr Gomez remains philosophical. You have your choice," he says. "Kither you get out, or you do your best to stay in the race." The coming decade should show whether Thomson holds enough high cards to bid for the jackpot. If not, its only realistic option may be to throw in its hand with one of the Japanese competitors which, it insists vigorously today, are out to undermine Europe's industrial A second article about Thomson will

appear on tomorrow's Technology

One Warburg too many

■ The death of the 90-year-old Eric Warburg last week ends one of the more controversial chapters in the history of the Warburg banking dynasty. If Eric Warburg, the fifth generation to head the family bank in Hamburg, had got on better with his cousin, the late Sir Siegmund Warburg, one of Europe's most famous banking families might have been considerably more powerful than it is today.

Eric's father, Max Warburg, ran the family bank, M M Warburg, where both he and the slightly younger Siegmund trained. In the early 1920s, after working briefly for one of his uncles in New York, Eric dropped out in Oregon. Uncle Paul, who helped found the US Federal Reserve system, was sent to persuade him to return, and for the next 15 years Eric shuffled back and forth between New York and Hamburg on his father's banking business.

He fought with the German army in the First World War, but by the late 1930s the rising tide of anti-semitism in Germany forced him to follow Siegmund and flee the country. He served as a lieutenant colonel in the US army intelligence and was the first to interrogate Goering. Meanwhile, Siegmund had moved to London and set up the New Trading Company.

It was only after the war that the differences between the two men surfaced. According to Jacques Attali's biography of Sir Siegmund Warburg. Eric refused to support Siegmund's desire that the Hamburg bank change its name back to M M Warburg, from Brinckmann, Wirtz & Co, after the Warburgs resumed their interest. It was not till 1970 that it became Warburg-Brinckmann, Wirtz & Co, and it is only now in the process of renaming itself M M Warburg again.

In 1946 Siegmund changed

the name of the New Trading

Lawson is learning the trade at BZW. Doubtless, Nicholas Ridley will be showered with similar job offers. How about Morgan Grenfell both end up in the same place underlining its independence in the end," muses Nicholas, from its Deutsche Bank parent

Obsolete

■ It sounds as if Trevor Nicholas, the doyen of Britain's electronic bankers, has become a victim of the quickening pace of technological development, just as Barclays, his employer, embarks on a £200m project to overhaul its branch banking

The 54-year-old Nicholas. who took charge of the bank's computer operations in 1982 after a high profile spell as chief executive of Barclaycard, preaches a gradualist approach to technological change. His successor as chief information officer is 42-year old Joseph De Feo, formerly group information technology director at Morgan Grenfell.

and his more aggressive approach is more in tune with the new brooms at the top of Barclays. "I expect we would

OBSERVER

Company to S G Warburg, much to the annoyance of Eric, according to Attali. Until then there had only been one Warburg bank. But Siegmund argued that since the Hamburg bank did not have Warburg in its name and Eric had founded his own New York firm, E M Warburg, it left him free to set up his own bank. The rest is history.

Truce

■ Ex-Tory ministers are always in big demand as merchant bank directors. Sir John Nott was snapped up by Lazard, Lord Young went to Salomon Brothers and Nigel

by inviting him on to its board?

network.

Riboud, the 71-year-old chair-De Feo hails from New York



"The war is over for you, Nicholas."

without apparent rancour. Having taken early retirement last week, he says that his greatest satisfaction at Barclays was the development of the bank's global banking network; his greatest disappointment, his inability to do more to bridge the gap between the technocrats and top managers that bedevils so much of UK business.

Some sauce ■ It is good to see that Antoine

man of BSN, the fast-growing French food conglomerate, is treating Britain's HP sauce with the respect a national treasure deserves. When he bought the company from Hanson two year ago, he said that it was not so much a "condiment as a British institution." Now he has appointed Henri Giscard d'Estaing, the 34-yearold son of the former French president, to head the company making the brown sauce an indispensable item on every

British table from the Commons dining room to the lowliest works canteen. Were it not for the fact that Giscard junior is a career BSN manager, the move would have sounded like the ultimate example of the political gravy

Wrapping paper ■ The living is tough in Kenneth Kaunda's Zambia. Infla-

train in action.

tion tops 100 per cent and there is an unofficial market in almost everything, from a loaf of bread to a Mercedes Benz - even the Financial Times. The FT's value on Lusaka's streets varies according to availability. Most Zambian politicians still find such laws of free market economics distasteful. Not so their

senior member of the ruling party who on-sells her husband's subscription, if supplies are good one copy fetches 10 kwacha (15p). But if there is a bottleneck one issue can go for as much as 50 kwacha Demand for the paper is

especially strong among Lusaka's commodity traders, and it is not for the financial miormation. The pink pages make an attractive wrapper for their increasingly costly vegetables.

Another chukka

■ Prince Charles's arm is on the mend and so is the relationship between polo and its sponsors. Cartier has calmed fears that it will withdraw its support of the Cartier International, Europe's top polo day, on July 29 by announcing that it has renewed its contract for the next three years. "We feel strongly about the day," said a spokesman. "If the Prince plays it is marvellous, but if not, it doesn't damage the event, which is the only polo venue that can attract an audience of some

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iections all over eastern Europe this past half-year have not produced democracies, but at best democracies-in-the-making, Yet in every case except one, the result of the elections has not fundamentally deflected the political trajectory. Though very much was at stake politically, it could not, it seemed, be adequately captured or represented by elections in a curious way they

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t. or you do get Tace." The man

seemed almost premature.
The exception, which may illuminate the rest, is Hungary. The elec-tions there in March produced a right-of-centre coalition government and a liberal-social-democratic main opposition party. The Prime Minister, Mr Jozsef Antall, seeks to give his party the style of a modern, European christian democrat group and is proving, so far, to be rather successful: but he is neither a hero nor a symbol nor is anybody else.

A kind of party structure had been permitted - even encouraged - to grow up under Communist rule, especially after the resignation of Mr Janos Kadar two years ago. The media was partially freed from coutrol. The Communist Party reformers who led it to a name and ideology change and away from power may not have foreseen their political demise. but they created many of the condi-

tions which made it possible. This groundwork meant that the elections were a contest between political forces which had had time to think through their positions rather than simply saying that the system had to change. The Democratic Forum was and is more nationalist, more instinctively statist than the Free Democrats: the two could sensibly debate the speed and scope of denationalisation, of economic reform, of land tenure. Attentive voters could discover competing beliefs. The parties had had the luxury to be

for something. This is not true anywhere else. In every other country, a differentiated politics is struggling for expression, still trapped either beneath the grand movements which achieved liberation and which cannot yet bear to release. their grip on national politics (Poland, Czechoslovakia, Romania); or inhibited by the continuing, rickety rule of a Communist Party (Bulgaria, Yugoslavia); or with the most basic freedoms yet to be achieved (Albania).

Grand movements inevitably produce a politics of personality in which the political development of the country becomes terribly dependent on the

Forming a habit on a tide of history

John Lloyd says the recent elections in eastern Europe have signalled the first stirrings of democracy

character of the leading personality. In the case of Czechoslovakia, President Vaclay Havel is likely to use his prestige at home to further the cause of pluralism, yet his sheer pre-eminence exerts a kind of mesmerism on Czechoslovak politics. Journalists cannot really criticise him - if they do, their copy is not printed. Just before last month's elections, the news director of Slovak TV screened a programme which showed the President being booed by Slovak nationalists in Bratislava; he was fired,

The President has sufficiently deep wells of moral authority to see off such complaints. In Mr Marian Calfa, whom he endorsed as Prime Minister, he has an apparently able and reasonably well-liked man who, as a member of the previous Communist government has no base from which to oppose the President. The only challenger is Mr Vaclay Klaus, the Finance Minister, a caustic man whose neo-liberal radicalism is seen as too nationally divisive by the President and his advisers. They tried to shift him to the chairmanship of the central bank, failed, but may succeed

in slowing his drive for reform. Yet the sheer diversity and argumentativeness of Civic Forum, the liberation movement which punctured Communism and won the June elections, is likely to cause it to split and the splits to form the basis of new parties. Some activists in the movement argue that this would be no bad thing. "It will be impossible to conduct parliamentary business with a movement like Civic Forum," says Mr Jan Tauber, an adviser to Mr Klaus. "How can we know what policies will be supported? It makes rational gov-

ernment a nightmare. In Poland, Mr Lech Walesa is currently a one-man nightmare for the country's government. Solidarity, the 10-year-old movement which took over power from the Communists a

year ago, has stayed united but cannot much longer - it is being blasted apart by Mr Walesa, now a declared

candidate for the Presidency. Mr Walesa has purged or tried to purge his old comrades-turned-opponents (such as Mr Adam Michnik, editor of Gazeta Wyborcza); has drawn around him new advisers into a group called Centre Alliance: has demanded the sacking of former Communists still in positions; has demonstrated that he still enjoys the support of the Civic Committees, the movement's political wing; and has made clear

East Europe's round of elections have had one great success: they have registered political preferences

that he means to use "his people" against "their government." Earlier this mouth, Mr Walesa summoned Solidarity MPs to his Gdansk base. There, he played Lech the Impaler, skewering them over the coals of proletarian impatience. He told them: "one breath from the workers and peasants could blow all your papers into the wastepaper baskets...this is where you started."

Mr Walesa's break with the Government led by Mr Tadeusz Mazowiecki has been sharp, impulsive and verbally violent. It could, however, be useful if his call for fresh elections soon were beeded, and stimulated the formation of coherent parties. The partial elections of last year gave a mandate to Solidarity, destroyed the Communists, but did not allow any other form of politics to emerge. Romania's political culture is still deeply marked by the brutalisation it

suffered under Mr Nicolae Ceausescu

and his clan. Instead of replacing the Ceausescu nomenklatura throughout the system, the National Salvation Front has retained them largely untouched. President Ion Iliescu lauded the miners from the Jiu Valley who came to town in mid-June to terrorise real or imagined opponents of the new regime. The Liberal and Peasant and other parties, which constitute the opposition, are humiliated, The prospects for change rest mainly on the judgment that recon-

struction of the economy depends on the West. Mr Petre Roman, the Prime Minister, a western-educated technocrat who did admit some criticism of the miners' actions, may be able to use the economic lever to shift gradually towards democratic norms - to which, after all, the NSF is publicly pledged. Much, however, will depend on whether the mass of people many of whom are grateful to the Front for their better quality of life since it came to power - will continue to support it. Will they demand that the pledges be kept?

Bulgaria's Communist Party took the initiative, last November, in instituting political reform - under pressure from the opposition and no longer certain of Soviet backing. But unlike the Poles and the Hungarians, it has managed to profit in the polls, winning a majority in the 400-seat assembly in June.

This is partly due to the speed with which they moved to elections; like the Romanians, they gave a fragmented opposition little time to organise, though unlike the Romanians, they have made no serious efforts to repress the other parties. But communism, even revamped communism, may not be sustainable.

Mr Petar Mladenov, the President. was forced to resign two weeks ago because of revelations, first denied that he called for tanks to be used last December against demonstrators. Mr Andrei Lukanov, the urbane, reformist Prime Minister, is still trying to build a coalition to cope with needed economic reforms.

Yugoslavia is the most febrile of all: every mouth or two, one of its leaders predicts civil war, or disintegration of the federation, or both. Yet it is at least possible it will reform in peace.

The two most advanced Yugoslav republics, Croatiz and Slovenia, elected right-wing governments in April and May (though Slovenia has a reformed Communist as President, Mr Milan Kucan). Both have said they will build a market economy and move close to Europe and that if the rest of Yugoslavia does not want to come along they will go without it. Bosnia and Macedonia, republics which have also produced effective pluralism, vote later this year, and are likely to follow the Croatian/Slovenian example. Mr Ante Markovic, the canny Prime Minister who has cut sharply Yugoslavia's 2,500 per cent annual inflation rate and seems to have become popular because of it has said he will launch a new political party to compete against the Communists in all-Yugoslav elections scheduled for later this year. All this sounds good: but Serbia, the federation's largest republic, remains an obstacle - especially its President Mr Slobodan Milosevic.

Mr Milosevic has lost some of the popularity he enjoyed a year or two ago, when he took the lead in getting back Serb rule over the southern province of Kosovo, populated mainly by Moslem Albanians. He was the target of a 30,000-strong demonstration last month, in favour of pluralism: he has now followed the well-worn path of changing the name of the League of Communists to Socialists, in advance of elections which he cannot prevent from being competitive. Pessimists hold that east Europe's

round of elections have "solved nothing." They have not indeed: nor do they anywhere. But they have had one great success: they have registered political preferences, and nobody (with the partial exception of Yugoslavia) has prophesied war after them. They have inserted the beginnings of a habit into countries where the habit was broken. And the waves they have caused have washed over the borders of Albania, some of whose people would rather stifle in western embassies than in the streets of Tirana. They have met the basic test of democracy: they worked badly, but better than anything else.

LOMBARD

Evidence of the polls

By Malcolm Rutherford

ACCORDING TO a recent book* on what the British people think, 60 per cent believe in Heaven and only 31 per cent believe in Hell. You might think that this is illogical, but on reflection you may well conclude that it is not an inaccurate expression of British public opinion. Probably it reflects a natural tendency to look on the bright side when it comes

to such grave matters. In any case, it is not the business of opinion polls to be logical. Their purpose is to provide a snapshot of opinion on a particular question at a particular time. The qualification is that the question has to be able to command a fairly straight answer. It is no use asking a question that invites those polled to waffle or write an essay. The refinement is to be able to differentiate between the respondents: young and old, male and female, and perhans elite and non-elite.

Last weekend brought a perfect example of opinion polls in action. There were at least two quick polls in response to the Nicholas Ridley affair, one by Gallup for the Sunday Telegraph and the other by Mori for the Sunday Times. Until the polls were taken, so

far as one could gather from the anecdotal evidence, the common response to Mr Ridlev's remarks about Germany in particular and Europe in general, was that he had gone over the top in his language, but probably reflected what a great many Britons think.

The evidence of the polls does not entirely bear that out. For example, the Gallup poll suggested that only 33 per cent agreed with Mr Ridley's statement that "the French are behaving like poodles to the Germans." As many as 60 per cent disagreed. Again, when asked about Mr Ridley's claim that Chancellor Kohl "will soon be trying to take over everything," 28 per cent agreed and 66 per cent dissented.

The Mori poll showed that 55 per cent would be worried "if a unified Germany became the dominant power in Europe, and 37 per cent (which seems to me quite a lot) said that they would not be worried. There were also some interesting breakdowns among categories of respondents. For instance, more Tory supporters seem to share Mr Ridley's fears about German power than Labour supporters. And, perhaps as one would expect, the young are less fearful than the older generation.

For the purpose of this article. I draw no further conclusion than that public opinion polls are useful and do not always tell you exactly what you expect to hear. They also have limitations. According to the Gallup poli, only 36 per cent of respondents correctly identified Mr Ridley as Secretary of State for Trade and Industry: 46 per cent said that they had no idea what Government job he held. It might therefore be of little help to ask what people think of (say) Karl Otto Pöhl, the President of the Bundesbank, or even Mr Robin Leigh Pemberton, the Governor of the Bank of England.

Yet there are also polls of elites. The Financial Times (through ICM Research) occasionally polls captains of industry. For some time now it has been clear that their views on Europe are quite different from those put by Mr Ridley. Support for early entry into the Exchange Rate Mechanism of the European Monetary System has long been running at around 80 per cent - well before it became a hot political issue. The business community wants to be full members of the club, and if the choice were between Europe and Mrs Thatcher, might well opt for Europe.

We have suspected that the views of such an elite might be out of line with the rest of the country. Now I am not so sure. The book referred to above has a graph of how British attitudes to Europe have changed over the past 20 years. In 1969 only 20 per cent of Britons regarded Europe as more important to Britain than America or the Commonwealth. Now the figure is around 50 per cent and America has dropped even further behind than the Common-

The case for systematic polling has never been stronger. * We British. By Eric Jacobs and Robert Worcester. Weidenfeld & Nicolson. £15.

LETTERS

Flawed CGT scheme would create new distortions

From Mr Giles Keating. ment (Letters, July 11) of Anatole Kaletsky's proposed capital gains tax (CGT) on housing equity withdrawal ("Home truths on bousing market," June 29) is a flawed scheme that would create a new set of

distortions. It would give first-time buyers an incentive to borrow as much as possible, since their initial loan forms the base for future tax-free borrowing, and it would penalise those who have borrowed little in the past. Surely these are the opposite of the intended effects? One could attempt to avoid such problems by imposing limits on the tax-free borrowing of first-time buyers, or by restricting indexation relief, but these features could cause

vet further distortions. More fundamentally, there is no reason to tax loans secured on housing rather than other

Mr Muellbauer also mentions the straightforward CGT on housing, with roll-over relief, proposed most recently by Peter Spencer and Mervyn King. Since capital gains on homes, unlike those on portfolios of financial assets, cannot be partially realised annually, this tax would not level the playing-field between housing and financial assets, unless unused annual CGT exemptions could be rolled up to offset the ultimate tax liability on trading-down to a cheaper

Given the size of the annual exemption relative to average house prices, this would make the tax a complex irrelevance for the vast majority of home owners, its only effect being to boost the fees payable to professional advisers who would have to demonstrate that their clients had no CGT liability.

ing has been a relatively innocent transmission mechanism for the effects of macroeconomic policy mistakes and, possibly, of over-ambitious lending by financial institutions. The solution lies not in the creation of new distortions in the housing market, but in prudent macroeconomic policies and in co-ordination among, and competition between, regulators and financial institutions in Europe and the rest of the world, to ensure an appropriately prudent atti-

Giles Keating, Director — Economics. Credit Suisse First Boston, 2a Great Titchfield Street, WI

tude to lending behaviour.

From Ms Eileen Heslin. Sir, John Muellbauer provides an interesting exercise in side-stepping the real issue. It is unlikely that the Chancellor of the Exchequer, whose Leader adopts a read-my-lips stance, would be allowed to introduce new forms of taxation which would dilute any stimulus to present home ownership policies: policies that create an annual loss to the Exchequer of £7bn through mortgage income tax relief (Miras) - a subsidy exclusive to one tenure group that pro-

those most in need. If it is the case that housing collateral and capital gains on house sales need to be curbed to control excessive borrowing, then surely priority should be given to providing alternative forms of tenure, other than home ownership.

duces unaffordable bousing for

The Organisation for Economic Co-operation and Development (OECD) has recently pointed to distortions in the UK housing market as being an "obstacle to greater regional mobility." Mr Muellbauer's

It is time to accept that hous- proposal to lump together by the rise in asset values in Retail Price Index and Capital Gains Tax would only add to this problem and leave the "significant tax distortion" (Miras) mentioned by the

> Now that Sir Leon Brittan. the European Community's Commissioner for Financial Services, has tidied up his affairs with Rover and Renault, perhaps his attention should be directed towards the unfair practices carried out by the Government in its drive for home ownership, before Mrs Thatcher finds ways and means of adding 4m council tenants to the housing caul-

Eileen Heslin, Secretary London Borough of Hillingdon Council Tenants Federation. 179 Central Avenue. Hayes, Middlesex

From Mr Peter Spencer. Sir. John Muellbauer's letter is unfortunately marred by factual inaccuracy. Contrary to his suggestion, my proposal was for a CGT tax on owner-occupied housing explicitly designed to reduce equity withdrawal. It uses a formula identical to the one he proposes. I also tempted to ask whether he seriously believes that the Japanese land price boom would have been less vigorous had CGT not been applicable to the resulting prof-

On a more substantive issue, Mr Muellbauer observes that house prices are now 25 per cent higher than they would be if the house price to earnings ratio had remained at its 1980 level. This clearly illustrates the scale of real capital gains that homeowners have made over the last decade. Yet it is debatable whether the consumer boom can be explained

the way he suggests. These gains only explain a part of the portfolio disequilibrium which seems to lie behind the buoyancy of consumer spending and borrowing. This is because the net value of the housing stock is currently so huge that even if house prices fall back to restore his 1980 price-earnings ratio, the overhang would still be enormous. The market value of personal sector housing investment would fall back from £964bn (the end-1988 CSO estimate) to £767bn, leaving net equity of £543bn after deducting housing loans of

£224bn, nearly two year's

worth of consumer spending.

more comprehensive explanation of this situation is to be found in the tight credit controls and high inflation of the 1970s. As many of us were only too well aware at the time, this environment forced the homeowner to save harder to meet increasing mortgage repayments, even though net housing equity was rising as inflation rapidly eroded the real value of the mortgage. By the end of 1979, the average mortgage was worth just 17 per cent of the average property, well below the 25 per cent gearing ratio seen in the 1960s. The homeowner spent most of the 1980s correcting this imbalance by increasing borrowing and spending, and this ratio is now

Mr Muellbauer and his colleagues may be right to think that financial liberalisation has increased the equilibrium gearing ratio, but if so, that remains a problem for the 1990s rather than an explanation of the 1980s. Peter Spencer, Shearson Lehman Hutton Securities.

back in line with the 1960s

1 Broadgate, EC2

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

To create a forest in East London we're putting up 50 trees in Bloomsbury.



H.R.fl. The Prince of Wales's watercolour "Brig O'Dee, Balmoral", on show at the exhibition, but not for auction.

A.G. Carrick Ltd.

'My Favourite Tree' is a major exhibition organised by the Financial Times, which shows the works of leading professional artists, photographers, public figures and celebrities who have shown concern for our environment.

Each contributor has been asked to either paint, draw, sculpt or photograph their favourite tree. At the end of the exhibition, the works of art will be auctioned in aid of The East of London Community Forest – a scheme organised by the Countryside and Forestry Commissions.

my Favourite Tree \$

From 9 - 19 July 1990, at The Imagination Gallery 25 Store Street, South Crescent, London WC1 Open 12.30 pm - 6.00 pm Mon. - Fri. Sat. 14 July 10.00 am - 6.00 pm, closed Sun. 15 July. ADMISSION FREE

The way to end sniping between investment trusts and unit trusts

From Mr Adrian Thompson. Sir. The view of the official from the Association of Investment Trust Companies ("Legal & General offers to buy shares in Globe Investment," July 10) that L&G, by making its offer for Globe equity, is "using its protected status to rape our industry" once again brings to prominence the difference. between investment trusts and unit trusts.

The price of investment trusts is related only to the

the marketplace, whereas the value of a unit trust is directly related to the value of its underlying holding.

In view of the increasingly competitive nature of the investment world - the 1992 for collective investment schemes actually happened in October 1989 - it would be more constructive for all concerned if the AITC, instead of complaining about the "rape" of the industry, did something

force of supply and demand in more positive to promote itself within the wider market.

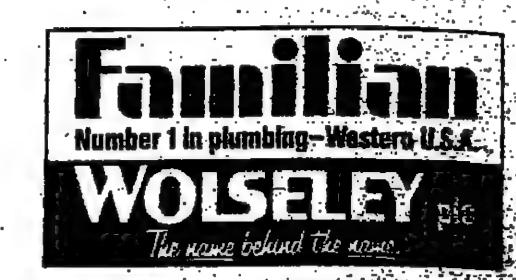
This could be done by campaigning for the Companies Act to be changed to allow investment trusts to be converted to open-ended investment companies on the continental Sicav model valued using a single price net asset valuation system (which must inevitably come to the unit

trust industry as well). Once this change has been made our two industries can

stop sniping at each other and go out into Europe on equal terms to our continental rivals and bring the benefit of our skills and expertise to the vast European market, the majority of which has yet to experience the competition that is taken for granted by the industry in

Adrian Thompson, Technical Director, Altra Unit Trusts, AEtna House,

2-12 Pentonville Road, N1



Crisis threatens to swamp Indian coalition

Resignations over nepotism steer government towards collapse, writes K.K. Sharma

HE leading party in India's National Front coalition Government battled at the weekend to avoid collapse after 13 ministers resigned in protest over nepo-tism on the part of the Deupty Prime Minister.

The political crisis deepened when Mr V.P. Singh, the Prime Minister, resigned as head of Janata Dal, the main party in the coalition, although he agreed yesterday to stay on after an emergency meeting of the National Front presidium.

This does not diminish, however, the seriousness of the cri-

ever, the seriousness of the crisis which was sparked off last week by Mr Devi Lal, the Deputy Prime Minister, when he arranged for Mr Om Prakash Chautala, his eldest son, to be elected as Chief Minister in the northern state of Haryana. Hectic efforts are being made

by Mr S.R. Bommai, the Janata Dal president, and senior party leaders who have rushed to New Delhi from all parts of the country amid widespread speculation that the party is on the verge of breaking up.

The crisis is undoubtedly welcomed by Mr Rajiv Gandhi. the former prime minister, who will be hoping that segments of Janata Dai will defect to his Congress Party.

The other possibility is that another general election will be held, although many feel that India is not ready for another exercise so soon after last November's poll

The crisis erupted when the 13 ministers - including three of cabinet rank - resigned over Mr Chautala's election. A controversial figure, he was forced to quit the Chief Minis-



Demonstrators from Harvana march through the streets of Delhi in protest at the reinstatement of Om Prakash Chautala as Chief Minister of the state

tership seven weeks ago after widespread violence and allegations of vote rigging in a by-election which he contested. The results of the by-election

have twice been annulled. Mr Devi Lal last week reinstated his son apparently believing that he had the agreement of the Prime Minister. The move stunned the Janata Dal and brought Mr Singh under strong attack. Mr Singh has since denied that he agreed to Mr Chautala's reinstatement, but he has remained silent over allegations of a

The 13 ministers who have resigned include Mr I.K.

Gujral, the Minister of External Affairs, Mr Arun Nehru, Minister for Commerce and Tourism, and Mr Arif Mohammed Khan, Civil Aviation Minister, all heavyweights

in the Janata Dal. They wrote to Mr Singh saying it would be difficult for them to defend Mr Chautala's reinstatement since it violated the party's commitment to the "value-based" politics lacking in Mr Gandbi's Government. The main stumbling block to resolving the crisis is Mr Devi Lal's refusal to agree to Mr

Chautala's resignation. He claims that his son was democratically elected by the Hary-

ana Janata legislature party. In turn. Mr Devi Lal has demanded disciplinary action against the ministers who have resigned. Ever since Mr Singh took office after the last general

election, cynics have been betting on how long India's fragile, faction-ridden ruling party, and the Government it leads. would last. Mr Devi Lal, however, does

not really want to displace Mr Singh, though the brash burly farmer, who sees himself as the patriach of the party, has been the main cause of the crises in the Janata Dal. The alleged deal between the

accounting rates as they are

the main beneficiaries of the

system, receiving about \$2.5bn

a year in net payments from

The FCC has therefore held

It would consider taking

such action if it felt foreign

companies were trying to

manipulate the system to their

out the possibility that it may

impose lower accounting rates

the US.

unilaterally.

two politicians is claimed to have been struck when Mr Singh, sensing that Mr Devi Lal's powerful personality and base among north Indian farmers could not be ignored, invited him to dinner last

What transpired at the tete-a-tete will probably never be known but an agreement aiming at accommodating Mr Devi Lal's aspirations for his son

was apparently made.

Mr Singh's critics argue that
he should have at least waited for the outcome of an inquiry into the violence at the by-elec-tion – for the constituency of Meham - before hastily compromising with Mr Devi Lal.

There is little doubt that Mr Singh agreed that Mr Chautala should be given some kind of recognition by the party, probably intending that a minor post, such as a general secretaryship, should be created for

Mr Devi Lal, on the other hand, took Mr Singh's gesture to mean that Mr Chautala had been forgiven, arguing that it his son was considered good enough to be a general secretary in the Janata Dal, he could not be denied political rehabilitation in Harvana.

Mr Singh, characteristically, has sought to take refuge by resigning - an action he has taken in previous offices when he was seeking a way out of trouble. Never known for decisiveness, he apparently repeated the move in the hope that he would be persuaded to continue in office. Clearly, however, his position has become shakier. Violence in Hyderabad, Page

Signet to be

sold to US

or French

contenders

SIGNET, the UK's largest

credit card processing opera-

tion, is set to pass into US or

French hands following the

drawing-up of a shortlist of

two buyers by the banks

The operation, based in

Southend in southeast

England, will be sold either to

First Data Resources of the

US, the plastic card processing

arm of the American Express

Corporation, or Sligos, a lead-

ing French credit card proces-

sor whose main shareholder is

The banks are looking for a

price of at least £150m

By David Barchard

in London

which own it.

Credit Lyonnais.

Food Manufacturing FT~Actuaries Index relative

A wind of change

on the farm

this month it kept quiet about one of its reasons: the fear that to the FT-A All-Share Index the tariff wall round the European Community's sugar production might one day be demolished, thus severely damaging the value of British Sugar. Last week's meeting of the Group of Seven major industrialised countries in Houston will have confirmed this kind of thinking. The whole vexed issue of agricul-tural subsidies, which the Organisation for Economic Co-operation and Development reckons cost the world \$70bn a year in lost efficiency, has been

When Tate & Lyle backed out

of bidding for Berisford earlier

taken out of the hands of the

agricultural ministers by the

heads of state. The Common

Agricultural Policy, that

sacred totem of European

Radical change cannot be

taken for granted; with the

CAP and its competing regimes

around the world, nothing is

ever that simple. But the odds

are now on substantial modifi-

cation of the system within the

next five years. For the indus-

tries which depend on agricul-

ture - food processing, agro-

chemicals, farm machinery

form the change will take.

toric levels.

The effects

product prices.

worse-hit crops such as sugar

or oilseeds; and since grain

would be cheaper than before

it would be more widely used

in animal feed. In turn.

cheaper feed would mean

increased output of pigs and

poultry, which would be good

news for UK producers such as

The clear loser would be the

dairy business. In butter and

Unigate or Hillsdown.

unity, is finally under fire.

cheese, the natural advantage has always lain with New Zealand and Australia; in beef, with Australia and Argentina. The quoted UK dairy producers have largely kept clear of butter and cheese, leaving it to the Milk Marketing Board and the Irish producers. In beef, Hillsdown would suffer as Europe's biggest slaughterer. So would the Irish beef baron Mr Larry Goodman, whose ambition to own British Sugar is in this. context not easy to understand.

The trouble with sugar is - the chief question is what that cane is inherently cheaper than beet, largely because of cheap land and labour in the The radical option would be for farmers to be paid only producing countries of the what their produce is worth. In Third World. It is plainly open that case, there is no saying to Europe's beet processors to switch; but they are up against what the shape of European agriculture would be 10 years Tate & Lyle, which is close to from now. Alternatively, farmbeing Europe's monopoly cane ers might still be subsidised on refiner. Either way, the winprice but not on over-producners would be the African. tion. Even then, it would be Caribbean and Pacific group of hard to envisage agricultural countries, which currently sufoutput's being sustained at hisfer from the dumping of excess European sugar on world mar-

They would suffer an offsetting loss, as it happens, on the In calculating the effect, it sale of bananas, which for weird historical reasons are helps to begin with the most basic of the commodities, also covered by EC tariffs. grain. In a free market, grain According to a World Bank prices would certainly fall, study published today, a free given the comparative advanmarket in bananas would cost tage enjoyed by the prairie proprotected exporters such as ducers of North America or a Jamaica and Martinique \$209m reformed eastern Europe. This a year. It would also put \$386m would be of clear advantage to into the pockets of European bakers such as RHM or United consumers through a 24 per Biscuits, at least to the extent cent drop in export prices. To that they could hold their own the extent that bananas are a price-sensitive commodity, this But grain output might not is plainly good news for fall in proportion. Some acrebanana merchants such as age would be switched from Geest and Polly Peck.

Added value

In almost every case, lower farm prices would help the value-added food processors such as Unilever, Nestlé and Cadbury Schweppes. But there is one possible hitch. At present, these manufacturers receive subsidies from the EC whenever they export their finished

goods outside the Community, to compensate them for the higher price of their raw materials. These subsidies are highly unpopular with the EC's trading partners. Should the negotiating get tough, the risk is that they could be cut

before farm prices are.

There is one group for which
the removal of farm subsidies would be unalloyed bad news: the chemical producers. The damage would be most obvious in fertilisers, which are not readily exportable. Imperial Chemical Industries, which has been struggling to break even In letthisers for several years: might welcome the oppoitunity to get out. The big loserwould be Norway's biggest company, Norsk Hydro, which has made dominance of Euro--pean fertilisers a central plank in its strategy.

In the much larger business of pesticides and herbicides. the position is less clear-cut Being less bulky and higher in added value, these chemicals can in theory follow farm production wherever it goes. But it is on these chemicals that a good proportion of the world's farm subsidies are spent. Cut the farmer's income and he canscarcely maintain his con-

Major task

The difficulties posed by radical reform of the CAP should not be underplayed. It could only happen in a multilateral context; not only between the EC, the US and Japan, but between the EC's own members. In addition, the EC's an farmers - some 20 per cent of them aged 65 or more - have to be supported somehow. Whether this were done through a system of deficiency payments over and above the market price, or by a more direct subvention, the previously imprecise cost to the Community would be cruelly exposed.

respect, the CAP has had its day. As recently as the late 1980s, it was possible to argue that it was the only practical expression of the European ideal. With the advent of the single market and the prospect of monetary union, more fundamental unifying structures are on their way. In addition, the whole system was always CHISER MILL DEFERRICISTIC COMplexities: part social security network, part regional planning structure, never commercially focused and always the product of chauvinistic compromise. Not the least argument against the continuation of the CAP is that it has given the European Community a

bad name.

But in one important

US telecom authorities target phone cartel

By Hugo Dixon in London

telecommunications authorities last week criticised the international telephone cartel which leads to consumers paying far in excess of costs for making international

In a move designed to halve prices within two to three years, the Federal Communications Commission (FCC) directed its fire at the complex accounting rates system which determines how revenue from international calls is shared between the world's telephone

companies.

the most determined attempt to date to tackle the problem of excessive international call prices, parallel investigations are under way at the European Commission and the UK's Office of Telecommunications. An accounting rate is the

Although the FCC's action is

amount US phone companies pay foreign counterparts for delivering calls. These rates are about twice as high as they should be, the commission believes, and constitute a strong deterrent to US telephone companies cutting their

The FCC's strategy is to force down accounting rates and to rely on competition between the leading US companies - American Telephone and Telegraph, MCI Communications and US Sprint - to pass on benefits to consumers. The telephone companies have welcomed the commission's

The FCC believes telephone companies will have a strong incentive to negotiate lower accounting rates if it puts its weight behind such a movement and cuts red tape.

It is therefore proposing that US telephone companies be permitted to negotiate lower rates without having to obtain its approval and that more complex changes in rates be allowed to proceed, provided they result in lower prices for

The commission's confidence

is based on the fact that accounting rates are the largest element in the telephone companies' costs, with 75 per cent of what they collect from US consumers being passed on

to foreign companies. It also believes that lower prices will stimulate traffic which, in turn, will cut costs further as a result of economies of scale.

On the other hand, it is possible the telephone companies will not have a strong incentive to negotiate lower rates if they are expected to pass on all the benefits to consumers. The market is highly profit-

able, with most earnings being generated from the accounting rate payments received for handling incoming calls. If accounting rates and prices were to fall simultaneously, the telephone compa-

nies' profit margins from international traffic would shrink. It is also possible that for-

eign telephone companies will

continue to resist lower

advantage. The commission, though, prefers to move as far as possible through negotiation, believing there are good prospects for agreement with countries such as Australia. Sweden and the UK.

Lower prices between the US and these countries would then put pressure on others to cut accounting rates and prices to avoid the risk of multinational business customers moving to lower cost destinations.

The big stick would be reserved for countries which still refused to move.

(\$268.5m) for the operation, which they claim is the largest and most modern credit card processor in Europe. Signet, which has 3,000 employees, was known until last year as Access, the Joint

Credit Card Company. It was put up for placed on sale earlier this year by its owners, National Westminster, Midland, Lloyds, and Royal Bank of Scotland. The first three banks each

own a 30 per cent share while RBS has 10 per cent. The sale covers only the processing operation and is unconnected with the Access MasterCard credit card brand.

The decision to sell Signet emerged after months of pressure from Lloyds on the other banks. It follows a shake-up in the credit card market over the past two years which has left the banks in the consortium in direct competition with each other.

By selling their stakes in the joint venture, the banks will also strengthen their capital bases as they did with the sale of Yorkshire Bank for just under £1bn earlier this year. Negotiations are under way

to establish a price for Signet. The banks in the consortium will guarantee to keep most of their credit card business with it for several years.

Pricing the operation is proving difficult as until last year it did not maintain separate accounts but was financed directly by its owners.

Several other strong contenders to buy it have now been ruled out, including Electronic Data Systems of Dallas, one of the world's foremost processors. The four banks appear to have suspected that EDS, which is owned by General Motors, may have the long-term aim of entering the UK card issuing market and competing directly against

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This announcement appears as a matter of record only.



Del Monte Foods International

has been acquired in a management buyout with financing arranged through Charterhouse Bank Limited

DM 131,200,000 Eleven Year Floating Rate Mezzanine Debt

£6,075,334 Preferred and Ordinary Shares

Financing provided by

arranged by its affiliate

PIC Capital Group

May 1990

ICI boosts spending on chemical dumping

By Peter Marsh in London

IMPERIAL Chemical Industries, Britain's biggest manufacturer, is to increase by up to seven times its internal charges for dumping chemicals waste from the company's biggest manufacturing site, in an effort to cut poliution. The new charges are a sign

of the moves many large British industrial companies may need to make as UK laws on pollution control move closer to those in other European countries such as the Netherlands and West Germany. The move is designed to put

pressure on ICI managers to reduce waste from production operations. It comes after criticism of ICI by environmental groups for failing to introduce rigorous enough anti-pollution

the 35 participating nations by

November. That will include a

binding declaration by Ger-

many on the strength of the future German armed forces.

There will also be a joint

The policy change applies to ICI's production site on Teesside in the north east of England, Britain's biggest chemicals complex. ICI places most of its the

chemicals waste from the complex in two licensed landfill sites it owns on Teesside. The sites take about 40,000 tonnes a year of this waste - mainly residues from chemicals production operations.

The company currently charges its production divisions £15-£20 (\$27-\$36) a tonne for this process. The money covers the relatively low costs of transport and disposal. ICI intends increasing the charges to as much as £150 a tonne by next year. The extra

cash raised will be transferred

to production divisions to pay

for new manufacturing processes that should reduce overall waste volumes. Mr Peter Williams, environ-

ment manager at ICI's Teesside site, said the new charging structure should give managers an incentive to invest in low-waste processes. "We hope to sharpen minds,"

The new charges will vary according to the type of refuse being deposited. They will bring ICFs internal waste-disfees in the UK closer to those which the company has to pay in the Netherlands and West Germany, which have some of Europe's toughest

landfill sites are generally much more closely regulated

than in the UK, ICI is used to paying £130-£170 a tonne to put chemicals waste into land deposits run by government or private-sector groups.

In the Netherlands and West Germany, suitable landfill sites are generally further from ICI's manufacturing operations, which increases transport costs. Also, regula-

tory authorities insist on extremely tight monitoring procedures, another factor which leads to greater expense. One reason for the low cost of dumping on ICI's UK sites is that they are built on natural clay deposits, which stop

require artificial plastic liners.

chemicals waste leaching out into water streams. Waste sites in continental Europe often lack a clay deposit and so

environmental laws. In these countries, where

Gorbachev and Kohl pact UK-German ties strained

of the European parliament, added: "I am not surprised that a group of people (like Mr Rid-ley) should have views like this. What is surprising is that it took the Prime Minister so long to accept the resignation of Mr Ridley."

third of the British population appeared, like Mr Ridley, to focus on Germany a general irritation about Europe. Britain faced the danger of

Continued from Page 1 the Nato Secretary-General, Continued from Page 1 package that is under negotiawith Mr Gorbachev and Mr "Are we asking the right ques-Eduard Shevardnadze, the tions? Are we getting the The total package now Soviet Foreign Minister, at an truth?" he asked. involves rapid progress to earlier round of talks on Satur-Mr von Wechmar, who is agreement in the conventional now a Free Democrat member arms reduction talks in The two sides in the broader Vienna, to clear the way for a summit meeting of leaders of

need to agree on a firm basis for the future pan-European institutions to be formed under the umbrella of the CSCE (Con-ference on Security and Co-operation in Europe). Finally the package to be put together by the end of the year

Mr Kari-Gunther von Hase, another former ambassador to

being pushed to the geographical edge of Europe by German reunification, Mr von Hase said. But Britain needed to participate in efforts to create a

genuinely "European Ger-many" through European inte-gration. Otherwise it risks facing an isolated Germany. "West Germany has no other choice but to continue to show

declaration by the two military would include agreement on alliances - Nato and the Warthe UK and now chairman of patience in developing friendly saw Pact - which was dissome form of multilateral aid the German-English Society, and understanding relations cussed by Mr Manfred Wörner, said yesterday that around one with Britain," he said. WORLDWIDE WEATHER

INSIDE

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Tuffier ordered to suspend business

It was a weekend of emergency meetings at-the Paris Stock Exchange with market authorities lucked in discussions with shareholders of the stricken French securities firm Tuffier et Associa's. At stake is the reputation of the market itself tollowing the decision of the French stock market watchdog, the Conseil des Bourse de Valeurs, to order Tuffier, one of France's largest independent stockbroking firms, to suspend all operations for a maximum of three months. Page 19

Petrochemical formula



Mitsui Petrochemical industries of Japan, and Samsung, South Korea's largest industrial group, are planning a Y20bn (\$136m) joint venture to produce polypropylene and high-denaity polyethylene in

South Korea. The move comes amid intensifying competition among chemicals producers in both countries and lears that planned capacity Increases will provoke fierce international price wars by the mid-1990s. Page 19

Alcan earnings fall 67%

Canada's Alcan Aluminium has suffered a big drop in second-quarter earnings. Net income after payment of preferred altare dividends was US\$78m down from US\$239m in April-June 1989. The biggest tall in second-quarter earnings occurred in Latin America, as a result of economic turmoil in Brazil, where Alcan is the only local producer of aluminium sheet for beverage cans. Page 19

Courtaulds sells Spanish



Courtaulds, the UK chemicals and materials group. is to sell its Spanish acrylics activities for an undisclosed amount to a new Anglo-Italian joint venture, in which it will have a minority share. The new venture will be controlled by Enimont, the biggest chemical concern in Italy and Europe's largest maker of acrylic fibre - a part of the European chemicals industry which has suffered a steep downturn in the past few

Market Statistics

years. Page 21 ...

Basa londing rates. Euromarket turnover FT-A World indices FT/AIBO and bond svcs Foreign exchanges London recent issues

New int band issues NRI Tokyo bond Index US money market rates US band prices/yields London share service 28,29 World stock mixt indices

27. Money markets

Companies in this section

AT Trust Brit Suliding & Eng Courtaulda Danbury Group Eastern Air Lines Fleming Investment Globe Investment

21 Hardanger Properties 21 19 Marine Industrie Pet 21 Milsui Petro, Inda. Platon International 21 Ransom (William) 19 Rhône-Poulenc 21 Samsung Swanyard Studios Toronto Dom. Bank

Tuffier et Assoc.

Fair wind for Anglo-German partnership

Morgan Grenfell is soon to take over Deutsche Bank's M&A business in Germany, writes Katharine Campbell

he blending of two almost entirely different cultures - the integration of the London merchant bank Morgan Grenfell into its new parent, Germany's Deutsche Bank - has reached a most delicate moment.

This month, Morgan Grenfell takes over responsibility for its parent's mergers and acquisition business within Germany itself. A new entity, DB Morgan Grenfell, absorbs the small DB Mergers & Acquisitions unit set up by Deutsche in 1984. (Hitherto, Morgan Grenfell did very little business within Germany.)

Morgan Grenfell, an aggressive financial adviser in the London or New York style, is entwining itself with an institution that embodies the powerful financial shield that protects corporate Germany.

"Deutsche knows that the best way to kill off the operation is to make us like a German institution," says Mr John McLaren, a soft spoken ex-diplomat who is the London director with responsibility for DB Morgan Grenfell in Germany. The comment is greeted with earnest nods by his new colleague Mr Rolf Betz, who has moved from the new issue department in Deutsche to head DB Morgan Grenfell in Germany.

For the moment, the two banks are warily sniffing each other out. Mr Melairen waits patiently in the halls of Deutsche's Frankfurt headquarters for a visitor's

Some of his new colleagues complain that the fact Morgan Grenfell has assumed sole charge of M&A is "terribly English" in this context at least, definitely not a compliment. But, whatever the inevitable teething troubles, the ambitions of the combined operation are not in doubt. "I am quite confident that we will be the leading investment bank dealing in German-related mat-

The competition within Germany is not formidable. DB Mergers & Acquisitions claimed to be the leader in an activity in which German banks are traditionally weak. Last year, it reported fee income of DM 22m (£7.42m) from 12 deals, mostly involving the small and mediumsized companies that make up what German business people call the Mittelstand.

ters," says Mr McLaren.

Mr Bodo Fuchs, who built up the operation and left at the end of June, says his room for manocuvre had already been inhibited substantially by attempts to bring the operation under the



Deutsche Bank will gain an international M&A network

A lawyer familiar with the operation noted that there had always been internal political difficulties: "Fuchs' main competition was from the regional branches of Deutsche Bank, jeal-

wing of group investment bank- ous of their own Mittelstand cli-

Morgan Grenfell's most powerful contribution - and the one where there will be least risk of problems with other branches of the parent - will be in crossborder deals. DB Mergers &

Acquisitions had an operation in New York, but communications were poor.

Morgan Grenfell reckons it has that international clout. Moreover, German companies seeking new partners will get a better price if they are touted abroad, even if the eventual owner ends up being a German firm, it argues. Being able to boast two "home" markets will be a big competitive strength, the two

banks believe. Morgan Grenfell's role as adviser to Philipp Holzmann the West German construction company which bought 14.05 per cent of Tilbury, the UK building group, in mid-June - was one product of the new alliance.

Mr McLaren believes that cross-border business offers Morgan Grenfell a possible springboard to German companies' domestic business, "Slemens-does not need us to introduce them to Nixdorf," he says. "But if a company sees the merits of using our services overseas, then they may use us for the next domestic transaction."

Morgan Grenfell will be treading gingerly within the cosy world of corporate Germany, "We must be extremely careful not to be seen in a predatory role by our

clients," says Mr McLaren. German attitudes towards corporate acquisitions are changing, however. When a company like Siemens is engaged overseas in a very public hostile bid, as in the long-running and eventually suc-cessful joint bid with GEC for Plessey, it becomes difficult to condone different rules at home. Deutsche Bank itself, once a fervent proponent of restrictions on shareholder voting rights to imit the threat of takeovers, signalled earlier this year it is aware such a limit is a "foreign body" in a market economy.

(The bank hotly denies its shift in attitude is connected with the Morgan Grenfell acquisition. And it has yet to drop its own restriction - which limits a shareholder to a maximum of 5 per cent of the votes, no matter how large the stake.)

With all these changes in the air, Morgan Grenfell believes its arrival in Germany is well-timed. The pace of M&A activity, slowing in the US, will be spurred in Europe by the single market and developments in the East.

The timing provides a fair wind for the new relationship. "It may still not work," says Mr McLaren, "but it has a lot going

The manic-depressive US expansion

ing last year.

By Anthony Harris in Washington

be US expansion is beginning to resemble one of those beloved opera stars whose farewell appearances stretch out into an endless series, The voice sounds a bit quavery. the body is beginning to look distinctly flabby, and everyone feels that the end cannot be long delayed; but still the song lingers

The voice is at present that of the motor industry. Its renewed expansion is giving the whole manufacturing recovery a second wind, after most analysts had written it off. This was put down by those who study the industry (obediently echoed by your columnist) as normal end-of-labourcontract stockbuilding; but now sales have apparently caught up with output. The sales recovery has defied all the forecasts, as well as such usually reliable pointers as survey of consumer confidence, which has weakened

sharply. The only rational explanation is that buyers fear that the great age of customer incentives such offers as \$1,500 (£831) in cash to buy a new-model medium-sized car - may be coming to an end. In other words, car-buying is driven partly by fears of future inflation – just as the current slump in house sales is partly due to the hope that prices will fall further. Now this preoccupation with

future prices is precisely the kind of behaviour which Mr Alan Greenspan, the Fed chairman. has set himself to stop. His definition of his zero-inflation target is a situation in which people are concerned only with current, not future prices. If he is not puzzled by the strength of car sales, he ought to be concerned about the last producer price figures, which showed a strong resurgence of prices apart from the food and energy sectors, which are largely beyond the Fed's influence. Yet it is at this moment that he

monetary policy, and to sound quite a fanfare about it. His elaborate statements to the Senate Banking Committee last week were designed to reassure two consituencies: the inflationworriers in the bond market, and those who fear a generalised

has felt himself compelled to ease

financial collapse. The Fed is easing, he explained, to offset a widespread reluctance by bankers to lend. The expected result is not renewed credit growth, but cheaper credit for sound borrowers. This could even reduce price pressure (as he did not explain),

since much of the pressure on profit margins comes from the cost of debt service. It will also, clearly, reduce the carrying cost of unsold houses and empty office buildings, and give some breathing space to over-leveraged

corporations. In the past, this move would simply have been greeted by ordinary citizens as a promise of lower mortgage payments; but by now everybody knows about bankruptcy. When the shops your mother used suddenly close their doors, your airline is up for sale with no buyers, your bank is taken over and your savings bank closed, you know the meaning of financial fragility. And you

he depth of that worry is shown in a recent survey by the International Association for Financial Planning. This shows that 86 per cent of consumers expect higher inflation, and 69 per cent fear a deep recession. The middle classes do not know how much longer they can make ends meet, and no less than 91 per cent of the women questioned doubted that ordinary families will be able to afford college for their children by the 21st

If this is indeed representative of consumers - and other surveys show weak confidence, if not such exaggerated gloom -In this respect, complacency then their current behaviour

merry The Administration shows something of the same split mind. There is real horror about the financial abyss, but something like complacency about the real economy, as if the one did not at all depend on the other. In the end, it does seem likely that consumers are showing a sounder understanding of economics than those in authority: a debt binge on the scale of the Reagan-Bush era, which has tripled both public and corporate debt, can only be resolved through individual bankruptcies

looks like manic depression, or

pure evasion: eat, drink and be

collapse is at last becoming widely understood. Politicians and central bankers who do not address these concerns are indeed evasive. But the time scales are different. The consumers in the survey were worrying about what sort of a future they would be able to give their children; politicians tend to

or through the generalised bank-

ruptcy we call inflation. The

sheer scale of the saving and loan

wonder simply whether the roof will hold up until after the next

has been encouraged by the long roll of warning of disasters which failed to happen. On this time scale, the US probably can muddle through,

and even the record high on Wall Street (in nominal, not in real terms) is defensible. The current depression in the North East, and the impending depression in the construction

industry, are the sort of regional and sectoral problems the US has faced and managed throughout the expansion. n terms of competitiveness. fiscal discipline and outdated infrastructure the US

faces problems on the same sort of scale that Britain faced in the mid-1960s, and probably faces only continued relative decline. But this seemingly tolerable prospect also explains the gloom of consumers. The national psyche is

obsessed with winning, and Americans no longer feel they hold a winning hand. They first suffered this conviction under President Carter: then Mr Reagan gave them a holiday in dream-



land. Now they know it was all an illusion. American finance was crooked, and American technology can no longer manage a routine space launch.

These sobering thoughts may well produce helpful changes in behaviour - prudence among bankers, thrift among ordinary citizens, and economy among politicians; but if it gets out of hand: American inferiority-feelings could produce some very unhelpful policies. Protectionism in trade and cap-

ital, and a withdrawal from a world increasingly dominated by former enemies, look real possi-

This is not a reproach: no-one from a country in which Mr Nicholas Ridley speaks for so many can afford it. I hope it is not a forecast.

Economics Notebook

Steering clear of wrinkled noses

THERE is no shortage of precedents for Chancellor Helmut Kohi's efforts to help the Soviet economy through German financial support. As Mr Kohl talked with Mr Mikhail Gorbachev in the

Kremlin yesterday, the Chancellor may have reflected that his predecessor. Mr Helmut Schmidt, once, in the mid-1970s. suggested that the Bundesbank deposit part of its foreign exchange reserves with the Soviet central bank. Mr Schmidt's suggestion - which never got off the ground - wasan effort to provide "economic incentives for the Soviet leadership," he wrote in his memoirs. The episode is remembered above all by Mr Helmut Schlesinger, the Bundesbank's current vice-president. Mr Schmidt correctly recorded that "People may wrinkle their conservative noses about such

Mr Kohl, a great deal more pragmatic about such matters than the former Chancellor. took to Moscow an already agreed government guarantee for a DM5bn (£1.69bn) bank credit for the Soviet Union. But otherwise he had no financial surprises up his sleeve. His message is that Germany is more than willing to open its purse-strings. But he repeats that aid for Moscow must represent no more than "helo towards self-help" to encourage genuine Soviet reforms.

West Germany's position as a major exporter of much-needed capital is clearly Bonn's main asset in the drive to win Moscow's backing for a united Germany anchored in Nato. Mr Kohl's Government is keen to convince the Russians that a reunited German nation will be an incomparably more efficient and useful economic partner than either the Federal Republie or the German Democratic Republic on their own.

An analyis of Germany's

financial power certainly underlines the advantages for the Soviet leadership of good relations with the nascent Germany. Not only Mr Kohl's liking for country air, but also the multi-billion D-Mark balance sheet he represents, influenced Mr Gorbachev's decision to invite the German leader yesterday afternoon to visit his home region in the Caucasus.

The fact that Mr George Bush has not yet been awarded this honour may have something to do with the slippage in the US's net debtor position last year to a staggering \$664bn. By contrast. West Germany now has a net foreign asset position of more than DM500bn. Capital, of course, gravitates

to the areas where returns. security and prospects are the best. It is no surprise that, according to the Bundesbank's latest figures (recording the position in June 1989), only DM34bn of West Germany's net foreign assets of DM427bn were placed with Communist countries. This made up only 8 per

cent of foreign assets. During the 1970s, Mr Schmidt used to complain that the Soviet Union's exports to the Federal Republic were less than 3 per cent of West Germany's total imports. Underlining just how much ground Mr Gorbachev has to make up, last year the figure was just 1.7 per cent.

West Germany last year carried out 4.7 per cent of its total foreign trade with the (former) Communist bloc, against 53 per cent with the EC. It exported three times as much to Austria as to the Soviet Union. Assuming the Soviet Union moves categorically to liberalise its economic system (and manages to avoid sparking a counter-revo-· lution in the process), Moscow is likely to become as much a target for German loans and investment as the other newly- unity. reformist capitals of formerly communist Europe. But it will

be a long process. Even in East Germany, where German monetary union has now obviated the currency risk, and where the political risk will soon be taken care of by full unity. German investors are treading with great caution.

ONE OF the consequences of

German reunification will be

the need for an all-German parliament to amend the 1967 law governing the Bundesbank. No-one expects that parliament will tamper with the articles enshrining the Bundesbank's independence from government in monetary policy. The changes will concern matters which appear only on the surface to be relatively minor concerning the federal nature of the Bundesbank's policymaking council. At present, this is 18-strong - made up of the seven directorate members

and the heads of the regional

central banks from West Germany's 11 Länder. Accession of East Germany and its five soon-to-be-reformed Länder would increase the Länder representatives to 16. Since the Bundesbank is empowered to have a maximum of 10 directors, a pro-rata twoman increase in the directorate could expand the council to a total of 25 members. Karl Otto Pohl, the president, thinks this would be impossibly unwieldy. Mr Pohl is considering following the US Federal Reserve by

the presence of Land central bank presidents. Such a reorganisation of the body at the centre of German monetary policy gives Mr Pohl another potential political headache in addition to the purely monetary challenges of German

adopting a rotating system for

THIS WEEK

A SMORGASBORD of UK statistics this week should focus market attention more on the economy and less on the published views of Cabinet ministers and former economic advisers to the Prime Minister. Sterling will continue in daily focus. Last week, it threatened to break the key DM3 barrier, but was defeated by profit taking and the emer-gence of anti-European sentiment in the UK, expressed first by Sir Alan Walters, and then

by Mr Nicholas Ridley. First out today are June's provisional retail sales, expected to reflect the consequences of the World Cup season. Television purchases and rental are likely to be strong, while fashion sales are expected to be weak. National income data suggests that the growth of total consumer spending is running ahead of its retail

sales component.

Industrial output should rise 0.4 per cent on the month, with manufacturing industries a touch more. There are signs that North Sea oil production is recovering from the accident-hit levels of a year ago. Tomorrow's public sector

borrowing requirement is likely to be the third consecutive bad figure, confirming that public sector finances are in bad shape. It is still too early to judge whether the predicted £7bn surplus will be annihilated by higher inflation. spending, and diminished tax revenues. The labour market statistics

on Thursday will be keenly watched to show any loosening of the labour market and consequent downward pressure on wage settlements. Unemployment rose for the second month running in May, but economists are suggesting that any upturn will be gradual, given the strength of consumer demand and UK exports. Average earnings are not expected to show any upward movement from their current level of 9.5 per cent. Money supply figures David Marsh on the same day are likely to

Public sector finances

PSDR

be enlarged by the substantial PSBRs so far this year. Other notable events and statistics, with median forecasts from MMS International the financial research company: Today: UK, provisional retail sales, CBI/FT distributive trades survey, industrial production for May, manufacturing output for May. US, business inventories for May (up 0.3 per cent). France, June consumer price index. West Ger-

many, balance of payments. Tomorrow: UK, public sector borrowing requirement, US. merchandise trade deficit for May (\$7.7bn), industrial production (up 0.2 per cent) and capacity utilisation for June (83.6 per cent).

Wednesday: US, consumer price index, excluding food and energy (up 0.3 per cent), housing starts for June (1.21m), two-year note auction announced. Mr Alan Greenspan to deliver Humprey-Hawkins testimony to Senate Banking Committee, France. May industrial production.

Thursday: UK, June unemployment, May average earnings, manufacturers unit labour costs, whole economy costs. June provisional money supply, first-quarter institutional investment, regional trends 1990 annual publication.

Friday: US, one-year bill anction announced. France, June trade balance.

This announcement appears as a matter of record only.



Del Monte Foods International

U.S. \$212,600,000 **Multicurrency Senior Acquisition Facilities**

Arranged by

Charterhouse Bank Limited

Underwritten by

The Nippon Credit Bank, Ltd.

National Westminster Bank PLC

AIB Bank

3i Group plc

Banco di Napoli

Bank of America NT&SA

Union Bank of Switzerland, Charterhouse Bank Limited

Sub Underwritten by The Long-Term Credit Bank of Japan, Limited

> **Facility Agent** Charterhouse Bank Limited

Administrative Agent Bank of America International Limited

> Italian Bank Monte dei Paschi di Siena, London Branch



May 1990

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Thyssen to raise \$1bn revolving credit

THYSSEN, the German industrial and trading company, is raising \$1bn from domestic and international

An aggressively-priced seven-year revolving credit was launched into syndication last week through Deutsche Bank and J. P. Morgan. Banks have the option to extend the maturity to 10 years on the second

anniversary of signing. It carries an annual facility fee of 8 basis points, whether used or not. If drawn, the interest margin over money market rates steps up in thirds: drawings up to 33 per cent carry a 10 basis point margin, rising to 14 basis points and to 20 basis points. Drawings in D-Marks carry a margin over Frankfurt interbank offered rates of 30 basis

Turkish borrowers remain active. The Turkish Grain Board is raising \$500m through Manufacturers Hanover. The financing, guaranteed by the republic, carries a 40 basis point margin for a \$400m one-year credit and a 60 basis point margin for the

\$100m two-year credit. This should carry the low weighting applicable to sovereign credits under the Basle accords. So should the \$1bn three-year credit for the Austrailan Wool Corporation, on course for signing on July 25. The credit, underwritten by five banks, carries a 6.25 basis point facility fee and a margin also of 6.25 basis points. Aluminium Bahrain has

expanded a project financing from \$560m to \$650m. In the UK. WestLB is arranging a £60m credit for Ocean Group, the industrial and distribution company. The five-year credit will refinance short-term facilities. It carries a spread of 25 basis points and a commitment fee of 15 basis points if utilisation falls below

60 per cent. Kingfisher, the retail group, has established a £500m multi-currency Eurocommercial paper and medium-term note programme, replacing an existing programme.

Stephen Fidler

INTERNATIONAL BONDS

Euromarket gets to grips with new pricing methods

THE EUROBOND market is gradually feeling its way towards an accommodation with the new pricing and syndication methods that began to be practised last year. But the process is proving painful and remains dependent on sensible exploration of the various methods advocated by syndi-

cate officials. The market continues to give signs that chasing a quick buck can take priority over a long-term approach. Some houses are persisting in their efforts to introduce transparency and fair rewards, while others seem content to attack even innovations in search of

Last week's deals included plenty of examples which indicate the tensions and contradictions still being worked out. Three deals in particular lend insight into the way the market is taking shape for the

First, the World Bank showed that it understands the effect of growing institutional investor power on its traditional borrowing grounds. It

had already pioneered the use of the global bond structure in the dollar sector, launching two \$1.5bn deals for simultaneous placement and trading across the world's securities markets. A third such issue, thought to be \$2bn in size, is

scheduled for September. At the same time, however, World Bank officials were taking a hard look at the borrowing opportunities in less developed sectors. Like other international agencies, the bank has long found often extraordinary arbitrage opportunities in the minor currencies like Australian and New Zealand dollars. According to Mr Kenneth

cial operations for the bank: "These markets also collectively represent a substantial pool of savings for us to tap. In recent months, the Euromarket has expanded this potential funding route by following in the slipstream of the liberalisation of financial markets in countries like Spain

Lay, deputy director of finan-

and Norway. Within the smaller markets,

however, borrowers like the World Bank realised there was a developing tension between domestic institutions and the offshore investor base. Further, as liberalisation took effect. the arbitrage levels, although still attractive, were declining from their best levels.

This led directly to the bank's NZ\$250m (US\$148m) innovative seven-year deal launched on Tuesday by Fay. Richwhite. Brought as a domestic issue, the deal allowed offshore participation, was free of withholding tax, and had all the characteristics of an international bond offer-

The advantage of this structure is that it allows larger blocks of funding, giving a much-requested liquidity to the large institutional investors which increasingly have the power to decide the fate of issues. By having a clearly domestic centre, however, it also marks its difference from the World Bank's previous global deals in the dollar sector. Frustrating the structure might be the difficulty of find-

ing swap counterparties in sectors which are inherently under-developed and less liq-

The other deals which are worth examining tell much about the main Eurobond market, where competitive and creative tensions remain as strong

The \$500m 10-year issue brought for the European investment Bank by Merrill Lynch was further proof that aggressive bidding for mandates does not square well with the fixed-price re-offered method of syndication. In a competitive situation, where a borrower has made it

awarded on price grounds, it follows that the winning price will not represent the market clearing price, but the tightest price at which business can be done. Underwriting fees have

clear that the mandate will be

virtually to be discounted. Thus, members of the EIB syndicate agreed they were able to sell a few bonds at the launch spread of 47 basis points over Treasuries. But, sour grapes aside, they argued

that the market clearing price was in the low 50s, a judgment apparently vindicated by the performance of the issue once it was freed to trade.

One senior market figure said on Friday that the deal had done great damage to the fabric of the re-offer mechanism. "We would have preferred an old-style structure. even if only cosmetic, to protect the newer method from this sort of use," he said.

It appears the re-offered method has been dragged into disrepute by being used for deals to which it is inappropriate. The idea behind it, that of clarifying the rewards for placement and underwriting skills via consensus pricing and disciplined trading, has been twisted into a parody that sends the wrong signals to borrowers and investors alike.

By contrast, the week also threw up a bought deal which was syndicated in a constructive way. Although not without its problems for the underwriting community, in that it shows one price for distribution skills, the technique used

Av. life

2000 1995 1997

1987

1995

2000

500

600 1bn

20bn

Coupon %

100%

by Nomura International for its \$200m reopening of a \$300m deal for SBAB was widely

Having taken the entire deal itself. Nomura offered members of the syndicate of the original deal a five basis point discount to the issue price on as many bonds as they wanted. Five basis points might seem a meagre reward, but rival syndicate officials were unperturbed. "The fact that we're not underwriting justifies a lower commission, and at least

we get the fee," was one com-

ment. "This is a sensible way

to handle this sort of deal." It might be useful to characterise the market as being in a transitional phase, during which syndication techniques are still being negotiated between the leading members of the underwriting community. A consensus of anger suggests that banks know what they want from the fixed-price re-offer. Now they must start declining invitations when they dislike what they see.

Andrew Freeman

Book runner

Benca del Gottardo

Saitama Finanz

101.40 B. Espanol de Credito

10134 Nikko Secs. (Europe)

Credit Europeen

Sogenal Kredietbank Int.

Mitsui Talyo Kobe

Yamaichi Int. (Eur.)

Momura Secs.

Nomura Secs.

IBJ Int.

Dai-Ichi Kangyo Bank

Cr.Lyonnals Euro-Secs.

Creditanstalt-Bkverein

African Development Bank debt upgraded

By Tracy Corrigan

THE African Development Bank's senior debt rating has been upgraded to triple-A from double-A plus by Standard & Poor's, in line with the other two large US credit rating agencies, Moody's and

The bank's subordinated debt rating has also been raised to double-A from double-A minus. The changes affect about \$3.7bu of debt. According to the S&P, the upgrade reflects the "further strengthening of the bank's

traditionally conservative

financial policies and a steady-

improvement in operations and administration." The African Development Rank's income rose to 119m units of account in 1989 from 63m units in 1988 - one unit of account is equal to \$1.39 due to an increase in lending,

said Mr Milan Kerno, the bank's vice president, finance. A system of billing in the currency of lending, introduced this month, will reduce the bank's currency exposure. Also, the bank's lending rate

is being floated instead of fixed as of this month, which will allow greater flexibility in fund raising, said Mr Kerno. The bank's 1990 funding programme of \$1bn equivalent is likely to include a DM150m to DM200m Eurobond at the end of summer and a \$100m

Euromarket. The bank also plans to launch a multi-currency US and Euro medium-term note

programme.

13,095

9.109

9.249

9.076

7.180

6.732

9.125

issue, either in the US or the

EUROMARKET TURNOYER (\$m)

736.4 3.177.4 8.723.3 587.9 7,987.7 11,621.0 882.4 4,164.2 30,832.1 1,469.8 4,776.7 36,557.8 25,281.7 39,554.5 30,981.3 54,240.0 38,995.3 70,775.2 40,775.6 73,458.2

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m_	Maturity	Av. life years	Сопроп	Price	Book runner	Offer yield %	Borrowers
US DOLLARS								Dat Comb Last A
Student Loan Mkt Ass.†	608	1991	(d)	25bp	100	(d)	-	IMI Bank Int.★★◆ Sacos Corp.★★◆
Banco di Roma(e)†◆	175	1999	9	5bp	100	Lehman Brothers Int.	-	Province of Nova Scotia
Kao Corp.(f)4	300	1994	4	43	100	Yamaichi Int. (Eur.)	4.750	AOI Advertising Prom.**
Kuraray Co.4	200	1994	4	434	100	Daiwa Europe	4.750	Kinoshita Housing**
Furukawa Electric	300	1994	4	434	100	Yamaichi Int. (Eur.)	4.750	_
JGC Corp.♦	170	1994	4	434	100	Nomura Int.	4.750	STERLING
Sumitomo Metal Ind.	320	1994	4	434	100	Nikko Secs.(Eur.)	4,750	Cr. Lyonnais(London) **
Sumitomo Bank Int. Fin.(g)	500	2000	10	9.55	99.972	Goldman Sachs	9.783	
EB♠	500	2000	10	87	207	Merriti Lynch Int.	9.223	PESETAS
Nacional Financiera(h)	100	1995	5	11%	987	CSFB	12.098	World Bank◆
Sumitomo Bank Int. Fin.(i)†	700	2000	10	25bp	100	Sumitomo Fin. Int.	•	_
Orient Corp.	300	1894	4	4.34	100	Nomura Int.	4.750	AUSTRIAN SCHILLINGS
Swedish Nat. Housing(j)	200	1995	434	912	100.675	Nomura Int.	9.297	Petroleos Mexicanos •
ASLK-CGER IFICO(k)↑◆ Amex Credit Corp.(s)◆	50 150	2000 1993	10 3	(k) 9	100 99.85	Mitsubishi Fin. Int. Lehman Brothers Int.	9.059	FINNISH MARKKA
AUSTRALIAN DOLLARS								Okobank •
State Bank Sth. Australia(I)	100	2001	1012	6	61	Nomura Int.	13.291	LUXEMBOURG FRANCS
GMAC Australia Finance	75	1994	4	143	101.65	Hambros Bank	14.182	The second liverage with the second liverage w
Bqe. Gen. du Lux'bourg(m) •	50	1991	1	20	1013	Bankers Trust Int.	17.936	MEPC Int.
Australian Gas and Light	50	1993	3	153	101.95	Westpec Banking	14.528	Comit Finance(Jersey)★★◆
NEW ZEALAND DOLLARS						manufact business		Soc. Generale Acceptance Commerzbank Int.
World Bank(c)◆	250	1997	7	1212	100.90	Fay, Richwhite (UK)	12.683	YEN
D-MARKS						40.		Alliance & Leicester B.S.
Miura Printing Corp. **	12	1994	4	94	101%	Mitsubishi Bank	8.713	African Dev. Bank(n)
Skand. Enskilda Banken	200	2000	10	9	102	Deutsche Bank	8.693	Credit Foncier
Cesk'venska Obchodni Bk◆	250	1995	5	10	100%	Commerzbank	9.803	Instituto de Cr. Oficial(o)†
lapan Telecom Co.x+0	60	1995	5	914	101%	iBJ (Germany)	8.602	Credit Local de France(p)
	OU.	1355		5.4	10176	ion (Germany)	0.002	Unibank A/S★★◆
CUs								##Private placement, fifficating rat Put option June 1994 to yield 5.391
Dresdner Finance◆	200	1995	5	10 ¹ 8	101.60	Dresdner Bank	9.706	250p over 91-day T-Bill suction :to 1993 Pat at per on August coupon
TWISS FRANCS								issue. Non-callable, Unlisted. n) Pa
faruko Inc.(b)★★§◆	150	1996	•	4	100	Bank Morgan Stanley	4.040	after 5 years. [] Fungitie with \$300 6-month Libor years 6-16. Call at p
lcrobanken(a) 🌩	100	2005	-	718	102	UBS	6.907	CS at C\$ 0.87 at borrower's option
oyola Motor Credit★★◆	85	1997	-	7	102	Credit Suisse	6.634	six months theresiter, p) Reverse 714% fixed, r) Coupon pays 30to
Vat. Investeringsbank+++◆	50	1995	•	6%	101 ኣ	SBC	6.574	calculated on AIBO basis.

These shares having been sold, this announcement appears as a matter of record only. **NEW ISSUE**

JUNE 1990



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Kleinwort Benson Limited J.P. Morgan Securities Ltd.

Swiss Bank Corporation
Investment Banking

Attrivate placement. (Floating rate notes. §Convertible. 9With equity warrants. ♦Final terms. a) Call after 10 years at 101 declining & % p.a. b). Put option June 1994 to yield 6.391%. c) Global issue. Fired re-ofter price. Coupon paid semi-amusity, d) Global issue. Book-entry, Coupon pays 25bp over 91-day T-Ball summon rate. Maturity January 1991. e) Coupon pays 5bp over 6-month Libor. Call at par on August coupon dates in 1993, 95 and 97. f) \$100m leumched in Asia through Nikho Merchant Bank(Singapore), g) US domestic issue. Non-callable. Unlisted. (i) Pot in August 1993 at 98.45. i) Coupon pays 25bp over 3-month Libor, then years 6-10 35bp over Libor, call at par after 5 years. (i) Fungible with \$300m associational in May, besse price plus accrued interest. (i) 35bp over 6-month Libor years 1-3, 50bp over 6-month Libor years 6-10. Call at par July 1995 and on coupon dates thereafter. (i) Fungible with ediating A\$200m bond. (ii) Redemption in A\$ of C3 at C3 0.57 at borrower's option. (ii) Dalayo bond issue. (i) Coupon pays 50bp under Japanese long-term prime rate. Call July 1995 and every six months thereafter. (ii) Reverse dual-currency bond. Principal in year, coupon in A\$, (i) First three months (i) over 3-month Libor, thereafter 714% fixed. (i) Coupon pays 30bp under 3-month Libor. Pat at par on any quarterly coupon date. (ii), Fixed re-ofter price. Note: Yields are calculated on Al90 basis.

This unnouncement appears as a matter of record only

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Arranger S.G. Warburg & Co. Ltd.

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Participants

ANZ Bank Canada Bank Leumi Le-Israel B.M. Bayerische Landesbank Westpac Banking Corporation

Royal Bank of Canada Europe Limited

Trilon Securities International

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Bank sues over Leigh Instruments

By Bernard Simon in Toronto

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CANADA'S Toronto-Dominion Bank has begun legal proceedings against GEC, Plessey and Siemens, among others, in an effort to recover C\$40.5m (US\$35.2m) it lost in the collapse earlier this year of Leigh Instruments, an Ottowa-based electronics company controlled by the British and West Ger-

man groups. in a statement filed with the Supreme Court of Ontario, TD has sileged breach of contract, negligent misrepre-sentation and deceit on the part of Plessey, GEC, Slemens and several of their senior officials in Leigh's dealings with the bank in the period | eading up to its bankruptcy last April.

The defendants, who also include Leigh's sonior management, have up to two months to respond to the claim.

Once regarded as a star of the Canadian defence electronics industry, Leigh's financial troubles stemmed from huge cost overruns on a contract from the Canadian navy for a sophisticated shipborne communications sys-

Leigh was acquired in April 1988 by Plessey, which itself was taken over by GEC and Siemens 18 months later. Although TD's loans to

Leigh were initially secured by the company's assets, the bank says that it gave up its entire security in March 1989 to accommodate Plessey's financ-

ing obligations. It several times increased the size of its loans to Leigh, rising to a peak of more than C\$40m at the time of Leigh's

The bank alleges that, contrary to the terms of a number of loan agreements, it was never made aware of Leigh's deteriorating financial condition until shortly before the company declared bankruptcy

last April. According to the statement of claim. TD was not furnished with Leigh's financial statements for a nine-month period during which the company was adjusting its accounting practices to those of Plessey and

dealings will commence on Thursday, 19th July, 1990.

Tuffier ordered to suspend business C\$41m debt for three months

By William Dawkins in Paris

FRENCH Stock Exchange authorities and shareholders of Tuffler et Associés, the stricken securities firm, met over the weekend to try to avert a financial crisis which is feared could harm the Paris financial market's reputation. Their emergency meetings

followed the decision of the Conseil des Bourse de Valeurs, the stock market regulator, to declare that Tuffier, one of France's largest independent stockbroking firms, was temporarily insolvent. It has demanded that Tuffler suspend all operations for a

maximum of three months

while a solution is found to the

financial crisis which forced Tuffier last week to lay off 100 people, a third of its staff. While the council emphasised that its decision was "of a technical and conservative" nature, the move has caused alarm as the most serious recent sign of the downturn in French stockbroking business. According to some estimates, two thirds of Paris' 45 broking firms are losing money because of falling volumes and the con-

traction in margins that has

followed last year's ending of

Brokers fully owned by large banks have taken the lead in offering cut price services for volume customers, so squeezing the independent firms.

The council will meet tomorrow to decide on any solutions on offer from Tuffier and its shareholders, which include the Banques Populaires French retail banking group and UK institutions Charterhouse, Electra and Globe. The authorities are understood to want to try everything possible to avoid putting Tuffier into bankruptcy and so defend the Paris market's international

that Tuffier needs FFr300m (\$54.2m) to cover losses and leave it with enough working capital to restart as a going concern. Mr Thierry Tuffier. who founded the firm in 1969, said last week that losses reached FFr65m, more than a third of shareholders' funds, in the first five months of 1990. Apart from staff reductions. Mr Tuffier is also considering spinning off his asset management division into a separate company which may have a large UK insurance group as a significant shareholder.

reputation.

By Tracy Corrigan

fixed commissions.

the Eurobond market for the

Czechoslovakia is one of east Europe's stronger credits. In the process of joining the it had external debt of \$7.4bn at the end of the first quarter. Czechoslovakian institutions have tapped the syndicated paper.

ioan market regularly, and ear-Banka, the state owned bank.

Access to the international bond markets, which have broader investor base, will increase the capacity of eastern European countries to fund their own development.

affinity with Czechoslovakia. helped boost demand for the

Low prices and high costs dent Alcan profit

By Bernard Simon

LOWER METAL prices as well as higher interest charges and other expenses made a big dent in the second-quarter performance of Alcan Aluminium, the Montreal-based aluminium producer, pushing earnings to one-third of last year's.

Net income after payment of preferred share dividends was US\$78m, or 35 cents a share, down from US\$239m, or US\$1.05 a share, in April-June 1989. The latter figure included a non-operating gain of \$36m, or 16 cents a share. Earnings for the first six

months fell to \$245m from

\$503m. Second-quarter revenues dipped by Just over 9 per First unofficial estimates are | cent to \$2.17bn, while | expenses rose slightly to \$2.06bn. Debt-service charges umped to \$49m from \$34m. Shipments of ingots rose to 202,000 tonnes from 197,000 tonnes, but deliveries of fabricated products declined substantially to 379,000 tonnes from 396,000 tonnes a year carlier. However, shipments of fabricated items were higher than in the previous three

> With worldwide operations and an increasing emphasis on value-added items such as building products and packaging, Alcan's fortunes are closely tied to general eco-

months.

nomic conditions. The biggest fall in secondquarter earnings occurred in Latin America, as a result of economic turmoil in Brazil, where Alcan is the only local producer of aluminium sheet for beverage cans and has recently expanded its capacity and acquired a leading foil converter.

The company said lower profits in Europe were due largely to the slowdown of the British economy. Earnings in North America

were lower in the second quarter than in the same period last year, but slightly higher than the first three months of Mr David Morton, Alcan

chairman, said although metal prices had been unsatisfactory, "industry fundamentals remain stable, with inventories under control and operating rates high."

Samsung plans Mitsui chemicals link

By Stefan Wagstyl in Tokyo and John Ridding in Secul

MITSUI Petrochemica! Industries, a leading Japanese chemicals company, and Sam-sung, South Korea's largest industrial group, are planning a wide-ranging joint venture in petrochemicals.

The move comes amid intensifying competition among chemicals producers in both countries and fears that planned capacity increases will provoke fierce international price wars by the mid-1990s.

The two companies have confirmed that negotiations are at an advanced stage for the joint production of polypropylene and high-density poly-ethylene in South Korea for sale in Korea and in Japan. Mitsui and Samsung are understood to be considering an investment of about Y20bn (\$129m). A jointly-owned plant would have a capacity of about 120,000 tonnes a year of polypropylene and 175,000 tonnes of high-density polyethylene. Korean companies have been

developing six petrochemical

complexes in the hope they will be able to export output which is surplus to domestic needs. In Japan, producers have been expanding domestic capacity in the belief that other Asian countries' product quality was generally still too low for the Japanese market.

South Korea's ethylene production capacity is expected to increase threefold by 1995 to 3m tonnes per year, or nearly

half of Japan's current production. The excess of supply over domestic demand is expected to be 1m tonnes a year.

Samsung, which is investing in petrochemicals for the first time, hopes the proposed tie-up will help it compete with established companies with the help of Mitsui's technical knowledge. Mitsui's plan is to undercut domestic Japanese producers with imported chemicals.

Korea currently does not export ethylene or propylene, although Yukong, South Korea's largest oil refiner, recently set up an office in Tokyo. However, Mitsui's marketing muscle will help Samsung's chances of success.

the corporate planning department of the Samsung group, ... said although a final decision . had yet to be taken, Samsung was interested in acquiring technological assistance in the .operation of its first petrochemical complex, which is . due for completion in the middle of next year. The proposed joint venture would also pro- . " vide Samsung with Mitsui's marketing resources and access to the Japanese market. Mitsui Petrochemical

already has ties with Samsung --Chemical in the production of ... pure terephthalic acid, but like ... most Japan-Korea tie-ups in the chemical industry, they are limited to the simple transfer . of technology from Japan.

Eastern Air

far more money this year than

forecast earlier, Mr Martin

Shugrue, the trustee appointed

by the bankruptcy court to run

He declined to give a figure"

at a press conference on Friday

Rhône Poulenc raises FFr4.7bn

By William Dawkins

RHONE-Poulenc, the French state controlled chemicals group, has raised FFr4.7bn (\$887m) in new equity to help replenish its balance sheet after last year's massive international takeover spree.

The group, which spent FFr12.4bn on buying businesses last year, will use the eash to pay for its latest acquisition and to reduce borrowings. It is budgeting to hold debts at 70 per cent of shareholders' funds by the end of this year, the same as its gearing at the end of 1989.

The French state has provided FFr3.4bn of the equity directly, with FF850m coming from the Crédit Lyonnais bank

By Bernard Simon

activities in Canada.

THE CANADIAN Government

has tightened controls on

future financial services acqui-

sitions by three US companies.

The move is seen as a first

response to heated complaints

by domestic banks about the

recent expansion by American

groups into quasi-banking

The Minister of State for

Finance has revoked an earlier

order that exempted the three

companies - Ford Motor Com-

pany, Avco Financial Services

and Commercial Credit Group

and the remaining FFr425m from the Assurances Générales de France (AGF) insurance group. Both institutions are controlled by the state, which will hand over to them all its new shares.

Of the total, Rhone-Poulence will hand back FFr3.3bn to the state, as payment for the transfer to the chemicals group of the Government's 35 per cent stake in Roussel-Uclaf, the pharmaceuticals company, during the reorganisation of the state-owned chemicals industry completed early this year. The remaining FFr1.4bn will

The other part of Rhone-

which will take effect in early

1991, means that all future

acquisitions by the three in the

financial services field will

have to be cleared in advance

Ford has extensive financial

interests, including motor

vehicle financing and con-

sumer loans. Avco is also in

the consumer loan and retail

sales financing business, while

CCC's activities in Canada

include various insurance

None of the three companies

affected by the order has a

banking licence in Canada.

Dividend

by the federal cabinet.

be used to reduce Rhone-Poulenc's borrowings.

Lines sees bigger losses Poulenc's debt-cutting strategy is a programme of disposals of non-essential businesses, from By Roderick Oram which it plans to raise in New York FFr8.2bn by the end of 1991 and so reduce debt gearing to around 50 per cent. It is close EASTERN AIR LINES will lose

Britain's RTZ - which the deeply troubled carrier, has ... bought last year - to Bayer of West Germany. As a result of this latest capital increase, the French Govbut he had told creditors ernment's direct stake in Rhône-Poulenc will fall from 67 earlier in the day the deficit per cent to 57 per cent, while Credit Lyonnais will end up with 9.4 per cent and the AGF

However, they will in future

have to operate as "non-bank

An official at the Office of

the Superintendent of Finan-

cial Institutions said yesterday:

"These entities look more like

banking entities than they did

when the exemptions were

trade agreement steadily erod-

ing Ottawa's ability to vet US

investments in Canada, the

withdrawal of the exemption

gives the Government a tool to

monitor the expansion of US

financial services interests.

With the US-Canada free

granted in 1981."

affiliates of a foreign bank."

to achieving the first step of

this, the FFr560m sale of part

of the chemicals division of

could be more than \$500m, according to people who attended the creditors' with 6.8 per cent. meeting. The previous management team, led by Mr Frank Canada tightens curbs on US groups Lorenzo, had forecast a loss of \$330m shortly before the

told creditors.

bankruptcy court relieved it of . its duties in April. Eastern, suffering from a machinists strike since March" 1989, reported a loss of \$852m

last year. Mr Shugrue, who had led Continental Airlines, the other operating subsidiary of Mr Lorenzo's airline holding company, out of bankruptcy" several years ago, said Eastern

could be profitable next

But he conceded that there was a 50-50 chance that Eastern could be sold. The company has been holding. talks in recent days with NWA, parent of Northwest

Czechoslovakia taps Eurobond market

CZECHOSLOVAKIA tapped

first time on Friday. Ceskoslovenska Obchodni Banka, the country's foreign trade bank, launched a DM250M five-year Eurobond; guaranteed by Ceskoslovenska Statni Banka, the state bank. Commerzbank is the lead man-

International Monetary Fund,

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Official List of the whole of the issued share capital of the Company, formerly dealt in in the Unlisted Securities Market. It is expected that admission to the Official List will become effective and that

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tic bond issue.

lier this month Komercni launched a 1bn koruna domes-

The 10 per cent Eurobonds were aimed at retail investors. and dealers said the double-digit coupon, as well as German investors' cultural

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EUROPEAN

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15th October 1990

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synopsis and advertisement

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Ian Ely -Corbett

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SEI 9HL

16th July, 1990

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- from being considered as foreign banks. The order,

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50 Victoria Street London SWIH ONW Tel: 071-799 2233 Fax: 071-799 1321

AFBD MEMBER WALL STREET

The certification also states the following as of June 30, 1990;

¥8.50 per share ¥8.00 per share

MORGAN GUARANTY TRUST COMPANY

To the Halders of

GMAC

74% Amer Eacked Costificates, Novice 1986 Ensu-A

On July 1/1, 1990 bullers of coupums from the Amer Howard Certificates will be entitled to a distribution, bused on the certification of General Motors Acceptance Corporation. The distribution for each original US\$10.000 p.a. of Certificates is US\$134.37, as follows:

LEGAL NOTICES

and electrical equipment.

Brown, Skipley & Co. Limited,

Founders Court.

London ECZR 7HE

Lothbury,

Authorised

£850,000.00

PIP (CLOTHES) LIMITED

NOTICE IS HEREBY GIVEN pursuant to Secof the Insolvency Act 1986, that a Landon SW11 1SA on Monday the twenty third day of July. 1990 at 3.30 o'clock in the attermoon, for the purposes mentioned Sections 99, an 101 of the said Act.

HIR. Landon SWIT ISA not later than moon on the 19th day of July 1995

Statements of claim, and prosy forme

of charge, at 8 St. John's Niff, London SW11 1SA on the 19th July 1990

KPMG Peat Marwick McLintock Chartered Accountmate P O Box 730. 20 Farringdon Street. London EC4A 4PP

Dated this 18th day of June 1990

PETER JAMES MOSS

By order of the Board

RENTALS

KENWOODS RENTAL **QUALITY FURNISHED** FLATS AND HOUSES

Short and Long Lets

23 Spring St., Landon WZ 14A

Tel: 071-402 2271 Teles: 25271 Page (071) 262 3750

TRUST

THE KOREA 1990

International Depositary Receipts evidencing **Beneficial Certificates** representing 1,000 Units

Notice is hereby given to the Unit-holders that The Koroa 1990 Trust declared a distribution of Won 41,000 per IDR of 1,000 Units payable on or after August 1st, 1990 in the Republic of

Payments will be made against presen-tation of the Temporary Global IDR on or after August 1st, 1990 to account holders at Euroclear and/or Cadel. The amount of dollars shall be the net proceeds of the sale by the Manager of the won amount to a foreign exchange bank in the Republic of Korea, at its "spot" rate on the day following presentation of the Global IDR, and proceeds will be distributed to the Unit Accountholders in Euroclear and Cedef in proportion to their respective entitlements and after deduction of all foes, charges, duties and expenses of the

Unitholders are required to submit a certificate of residence together with a copy of the Certificate of Incorporation or extract from register maintained by a regulatory or governmental authority or department concerning incorporation through Euroclear or Cedel by July 25th, 1990.

Depositary.

Those documents are requested by the Korean National Tax Administration Office as evidence of recidence as holders residing in a country having a double taxation treaty with the Republic of Korsa may obtain payment at a lower rate of the Korean non-resident withholding tax and without the documents the full rate of 26,875 pct Korean non-resident withholding tex will be reteined.

CHASE MANHATTAN BANK Luxembourg S.A. as Depositary

Number One Southwark Bridge

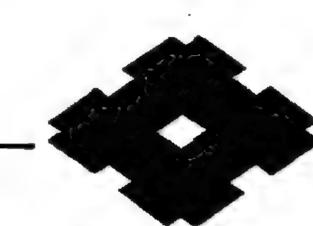
(Incorporated in the Kingdom of Norway with limited liability) U.S.\$75,000,000

Notice is hereby given that the interest payable on the relevant interest Payment Date, August 13, 1990 for the period February 12, 1990 to August 13, 1990 against Coupon No. 10 in respect of U.S.\$5,000 nominal of the Notes will be U.S.\$218.89 and in respect of U.S.\$250,000 nominal of the Notes will be U.S.\$10,944.60.

Patricle Servidge

US\$ 100,000,000 Floating Rate Notes Due 1995

CITIBANCO By: Citibank, N.A. (CSSI Dept.), Agent Bank



Sumitomo Trust & Banking Co., Ltd.

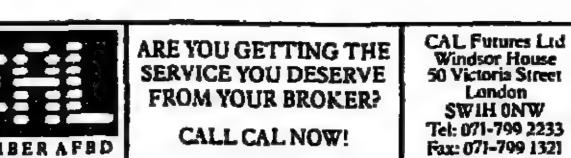
Financial results as of 31st March 1990

	Millions of Yen Year ended 31 st March 1990	Millions of Yes Year ender 31st March 1989
Income before Income Taxes	¥ 132,246	¥156,664
Net Income	62,231	73,584
Total Assets in Banking Accounts	18,858,882	16,593,915
Total Assets in Trust Accounts	31,457,482	27,740,572

The Annual Report for the year ended 31st March 1990 will be available upon request from August 31st 1990. Please direct enquiries to the address below.

> Sumitomo Trust & Banking Co., Ltd. 62/63 Threadneedle Street, London EC2R 86R.

Telephone: 071-628 5621/9 Fax: 071-588 1601



TELEPHONE: 071-828 7233 July. 2410/2420 -5 July. 2984/2986 +23 Sept. 2455/2465 -5 Sept. 3000/3012 +26 5pm Prices. Change from previous 9pm close HOW WELL DID YOU JUDGE THE MARKET?

OF NEW YORK, Tracelor

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

ONCE THE excitement about Mr Alan Greenspan's about-face on interest rates was over, the Treasury bond market was left to wonder what a modest monetary easing actually means.

In the context of the reluctance of commercial banks to lend money, the chronic state of the housing market, Congressional wrangling about tax increases and ever more demeaning finger-pointing over the savings and loan débacle, it has to be wondered what effect the small drop in the Federal funds rate signalled on Friday

can possibly have. The first question which is being asked is how a small monetary easing by the Fed will offset a rise in the loan rates charged by banks, indicating a tightening in

credit market conditions. -Griggs & Santow, the New York fixed-income analyst. asks: "Would banks seriously consider lowering their lending standards because the cost of money is a bit different?"

Further, it queries whether this is a proper use of Fed policy. "Such a problem, if indeed such a problem exists, would seem best handled by the bank regulators - altering their demands on the banks for greater capital and reduced risk-taking and encouraging business as usual with most of

their lending activities." There has no doubt been some reluctance among commercial banks to lend to highly-leveraged transactions for obvious and prudent reasons, and much of their enthusiasm for lending to real estate has clearly been dampened by the bad loans which already burden their

portfolios. But far more important has been a clamping down on lending practices by regulators who, as the row over the savings and loans crisis rages in Congress, are desperate to be seen to be doing their job and also to prevent another financial crisis emerging in the banking sector.

This attention by regulators has already been criticised by many in the banking world as overkill. Instead of a 1/4 point drop in the Federal funds rate to be signalled by the Fed on Friday - perhaps banking regulators should simply back

off a little. Mr Greenspan's sudden acknowledgement of a tightening in credit availability - having maintained as recently as three weeks ago that there was no problem -

has much more to do with politics than with economics. Fed chairman specifically said that an easing would not be in response to a perceived deterioration in the economy because he did not

see any. "The outlook remains very sluggish but, as I indicated three weeks ago, there is still no evidence that we can reliably focus on which, in effect, is saying that the economy is tilting over. We do not see that."

The story behind the latest easing in interest rate policy which has stood still, as far as the Fed's target for Fed funds is concerned, for the abnormally long period of six months - relates much more to the debate in Congress over the budget and the storm over the savings and loans crisis.

A strand of the backroom negotiating has no doubt been discussions which have centred on a deal involving the Administration giving up its "no new taxes" pledge in order to achieve meaningful cuts in the budget deficit in return for the Fed's co-operation on lower

interest rates. The clamour from Capitol Hill has risen noticeably in recent weeks as the desire for a continuation of economic growth intensified.

A deteriorating budget deficit, and increases in taxation made even more likely by the enormous costs of the thrift bail-out, means likely increases in taxation come at a time when the economy is already chugging along at a very slow pace. Particularly with mid-term Congressional elections coming up in November, the Republican Party simply cannot afford a recession.

Although politics have no doubt played a large role in the timing and forthrightness of the Fed's move, there are, however, some powerful underlying reasons for easing to 8 per cent - which appeared

policy. Mr Richard Hoey, chief US economist for Barclays de Zoete Wedd - and formerly much-respected at Drexel Burnham Lambert – sees a number of deflationary forces in the economy which he

labels "deleverage drag." One aspect of this is a reduced willingness to demand credit - because leverage is out of fashion - and a reduced willingness to supply credit. He notes that the kind of

credit squeeze now being experienced is a "stand-alone risk crunch" rather than a classic credit crunch and is therefore more selective but more prolonged. Another aspect of deleverage

drag is an erosion of excess

foreign liquidity which has

supported the US economy for An example of this is Japan. whose current account surplus has dropped to equal direct investment, and West Germany, whose budget deficit is rising and current account surplus falling. There simply will not be as much foreign

money available to the US. These factors contribute to the risk of recession as well as illiquidity in a substantial area

the fact that short-term interest rates have not been rising. These areas include real estate, the corporate sector and the government sector.

All in all, Mr Hoey believes that a borderline recession in the second half of this year is the most likely outcome, with a borderline recovery to follow

Set against these arguments for lower interest rates are others which are likely to limit the extent of the Fed's Band The US still has an inflation

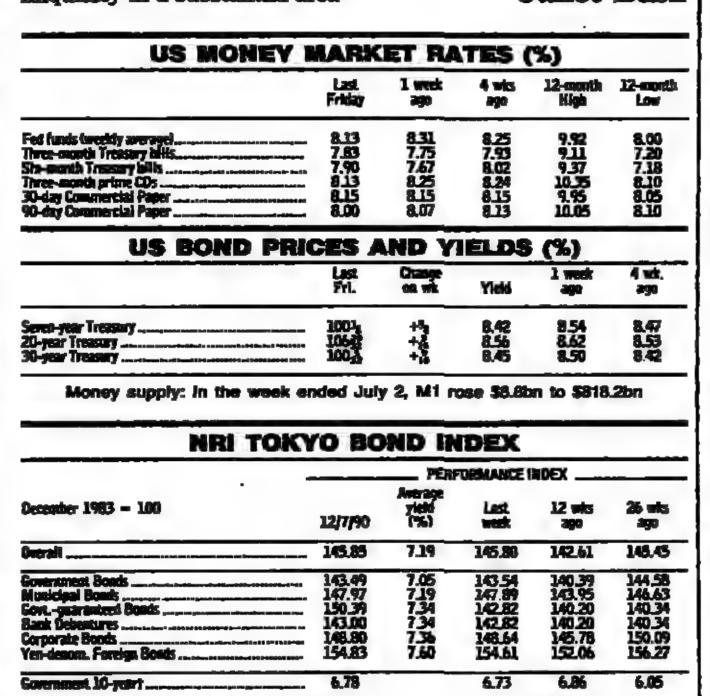
problem, notably in the labour

market where unit labour costs are being pushed higher by rising benefit costs and weak productivity. There is also the fact that yields are rising overseas. which make US debt

instruments and the dollar less attractive. With Treasury funding already running at record levels to cope with the rescue of thrifts, interest rates have to be kept relatively high to attract the ever-smaller pool of

international money.

Janet Bush



UK GILTS

Fed move unlikely to impress banks Cheap food saves market's bacon

of the US economy in spite of | THE HUMBLE potato saved the gilt market's bacon last week. A lower-than-expected rise in the retail price index for June provided a boost

The Treasury 11% per cent 2003/2007 was up almost a point on the day at 102% to yield 11.42 per cent - off its best for the year, but heading in the right direction.

The real message from the RPI figures, however, was that the inflation signals are reading amber at the moment: proceed with caution. This continues to put substantial imminent cuts in lower short-term interest rates in doubt

The underlying rate of inflation - one of the Government's preferred measures dropped very slightly from per cent to 6.9 per cent. But this was mainly because of an erratic decline in seasonal food prices, especially fresh fruit and vegetables. The EC average was 5.5 per cent in May; and there are further price rises in the pipeline.

Unlike the foreign exchange market, the gilts market has not done as well out of speculation about early entry to the exchange rate mechanism of the European Monetary System as it might have done, had the economy been a little

healthier. Part of the reason is lingering worry over inflation, which has yet to top out. In the short term this should mean some improvement in the market, in spite of the lack of change in the underlying inflationary

problems. "People are still expecting an



August peak above 10 per cent. But the domestic fundamentals are not the main driving force. ERM is boosting the market, says Mr John Shepperd of Warburg Securities. Barclays de Zoete Wedd considers that recent worries are "a setback before the market rallies

Source; Warburg Securities

agam." In the long term, ERM makes gilts a good prospect, since the UK yield curve should converge with the European average. "Eventually, 11 per cent long yields will look reasonable," says Mr Shepperd. "In the long term the prospects for gilts should be extremely bullish - but the process will be prolonged and painful."

This year's rally was skewed towards the short end of the market, which rose significantly more than the long end. In part, this is because interest rate cuts are expected to be the main bonus of ERM in the short term, and gilts with a short maturity would then represent good value. The prices of longer-dated gilts are less dependent on short-term rate

But the inverted yield curve means that longer-dated gilts are already providing much lower real yields than short gilts. This is responsible for the concentration of funds in short-term instruments and the money markets.

Longer-term capital will be unlikely to seek a home in UKgovernment securities while they offer such poor returns in international terms. "It is difficult to make the distinction" between hot money and long-term investment on this basis, says Mr Shepperd.

The inversion is due to the stock shortage, caused by the government's - buy-in gramme, and the belief that short-term rates will have to stay relatively high for the foreseeable future.

The need to maintain the savings ratio, keep the current account under control, and provide steady support for sterling all mean that rates are set to stay relatively high, even if small cuts materialise, several analysts argue; indeed, this is one of the lessons from ERM entry of other high-inflation countries.

But if the UK yield curve looks to remain inverted, and at a higher level than its European partners, this could cause destabilising capital flows. -There would be little incentive to stay in long gilts, and every incentive to borrow in other European currencies to invest in short-term sterling instruments. In the long term, this

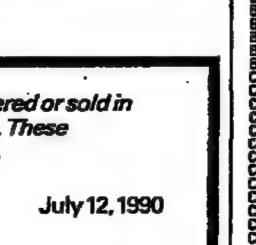
would be unsustainable. If high short-term rates are to be the order of the day for some time, then it is not surprising that the long end of the yield curve is sluggish. Mr Roger Bootle of Greenwell Montagu suggests in his company's Gilts Weekly that the best trade at the moment is to move from the long end of the curve to the short end.

The yield curve may flatten later in the year, with most market participants confidently predicting a return to gilt supply. This is also suggested by the level of long-term rates within the ERM, BZW points out. "The long-term constraints on long gilts are real yields, which may need to converge upwards with Europe once inside the ERM."

It estimates the gap to be about 2 percentage points. Some of this will be achieved through a reduction in the inflation gap between the UK and Europe, but slowly; the implication is that long yields may have to rise, and that the gap between nominal yields in the UK and Europe is set to widen.

The fundamental disciplines that will converge UK inflation rates with those of the other European countries will take some time to emerge. In the meantime, high interest rates are likely to be the proxy. Effectively, the UK is already part of two-tier Europe and the fundamental cause is the UK's inflationary economic structures. Cheap vegetables do not solve that problem.

Andrew Marshall



Source: Nomura Resperch Institute

These securities were privately placed under Rule 144A under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. These securities having been previously sold, this announcement appears as a matter of record only.



Espirito Santo Financial Holding S.A. (a Société Anonyme incorporated under Luxembourg law)

515,000

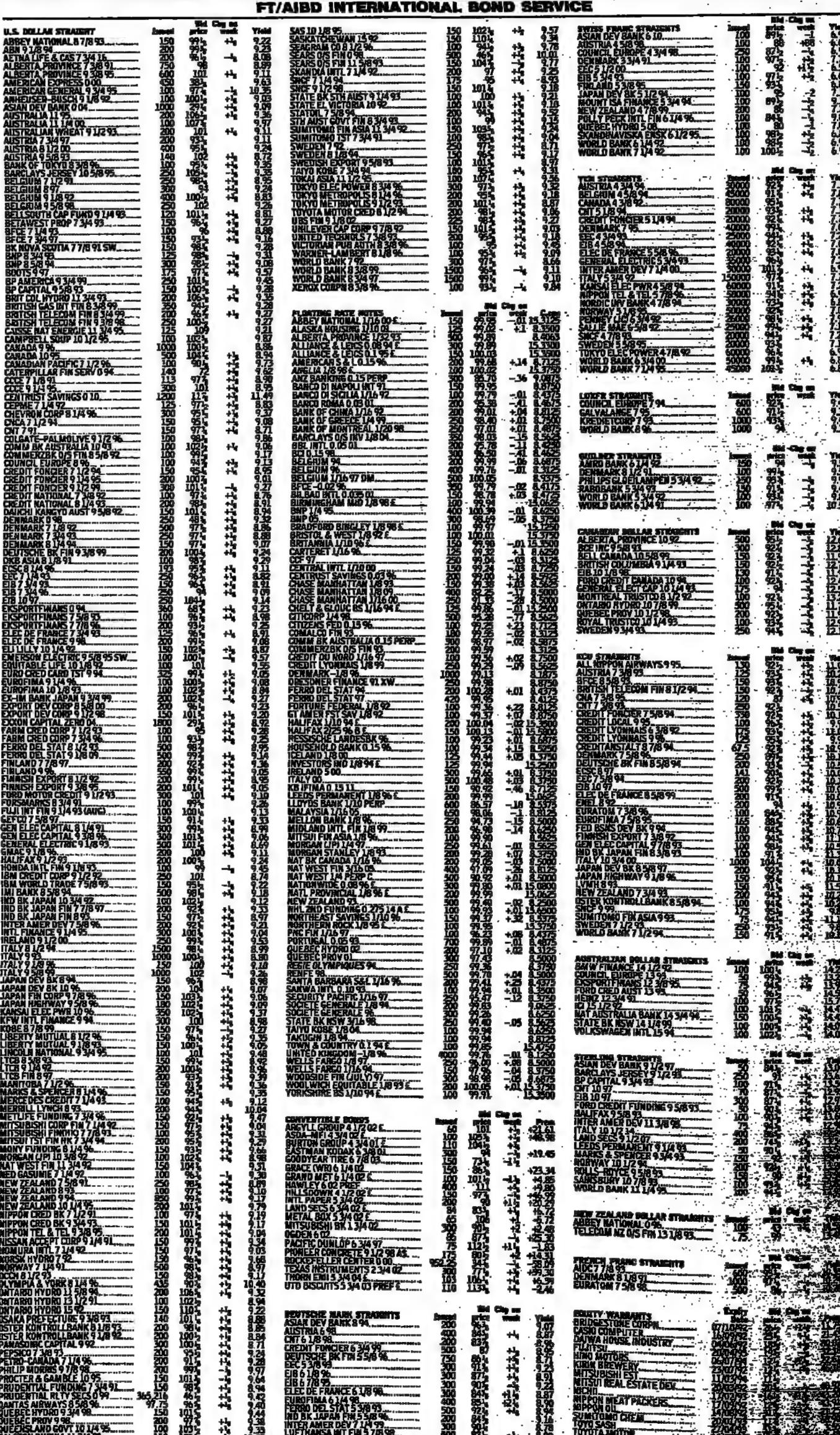
Rule 144A **American Depositary Shares**

Representing

515,000 Shares of U.S. \$10 Nominal Value

UBS Securities Inc.

Salomon Brothers Inc



FLOATING RATE NOTES:US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpg—current coupon.

CONVERTIBLE BONDS:US Dollars unless indicated. Prem — percentage premium of the current effective price of buying shares via the bond over the most recept shares.

WARRANTS: Equity warrant prem - exercise premium over current share price. Band warrant ex yid - exercise yield at current warrant price.

UK COMPANY NEWS

Hardanger

interim

profits

overstated

BARDANGER PROPERTIES.

the Kidderminster developer

of retail property, bas admit-

were overstated, following a

increasing from £2.86m to

£3.1m for the six months to

March 31, the restated fig-

ares shows they fell to

£2.27m. Turnover, which was

originally reported to be

£11.59m, has been adjusted

to £3.14m, while earnings

per share have been

Hardanger said the timing

amended from 27.07p to

any adverse effect on the

year's profits, as the transac-

tions were now scheduled for

By Vanessa Houlder

property sales.

Courtaulds sells Spanish acrylic fibres business

By Peter March

Sustainable of the day in the day

tental discipling arge UK inflates one of the one intries will the emerge. In the argument of the property of the UK is already of Europe of the property of the UK is already of Europe of the property of the UK is already of Europe of the property of the property of the UK is already of the Europe of the Europe of the property of the Europe of the Eu

Europe and de

egetables do me

COURTAULDS, the chemicals and materials group, has made another step towards reducing its activities in acrylic fibres, a part of the European chemicals industry which has suffered a steep downturn in the past few

The company is to sell for an undisclosed amount its activities in the Spanish acrylics business to a new Anglo-Italian joint venture, in which it will have a minority share. Last year Courtaulds' acrylics operations in Spain realised sales of £82m.

The new venture will be controlled by Enimont, the biggest chemical concern in Italy and the largest maker of acrylic fibre in Europe.

At the beginning of 1990 Courtaulds was the third biggest maker of the fibre in west-

ern Europe, after Enimont and

SWANYARD STUDIOS, which

is involved in operating record-

ing studios, music publishing

and promoting music artistes.

saw pre-tax profits for 1989

increase by more than 2%

The company, which is

times from £87,000 to £230,000.

quoted on the Third Market,

said that, because certain prof-

its, particularly royalties, take

a considerable time to come

through, it had not been possi-

ble to reflect the full value of

record and publishing suc-

PLATON INTERNATIONAL,

the USM quoted, Hamp-

shire - based instrumentation

group, is to acquire Marine

Industrie Petrole in France for

FFr12.7m (£1.27m) in cash and

is raising £1.75m through an

institutional placing and an

cesses in the accounts.

of west European capacity.
Courtaulds, which earlier this year spun off its finishedtextiles business into a new company, announced last month plans to shut a fibre plant in Calais, France, one of its three acrylics factories.

Bayer of West Germany. It had

an annual production capacity

in this material of about

200,000 tonnes, roughly a fifth

As a result of the latest announcement, a second Courtaulds plant, in Barcelona, Spain, will leave the company's control and become part of the new Anglo-Italian joint ven-

Enimont will control this venture through Montefibre, a quoted Italian group in which it has a 59 per cent stake. The deal with Enimont will leave Courtaulds with just one

acrylics factory - in Grimsby

The policy of recognising

income only when received

was standard industry prac-

tice, the company added, and

had been adopted, although the

half-year figures reflected roy-

alty income on an earnings

in the year under review the

company's activities had

changed considerably, Ms Mar-

garita Hamilton, chairman.

said. There were now eight

operating subsidiaries at vary-

ing stages of development.

relating to the core music busi-

switches and valves which are

complementary to Platon's

existing flow, pressure

measurement and control prod-

To finance the acquisition

and to provide sufficient work-

ing capital to implement

Platon makes acquisition in France

Swanyard leaps to £230,000

in Britain - which has a production capacity of some 80,000 toones a year.

The new Anglo-Italian venture in Spain will run the Barcelona plant and another acrylics factory in Miranda de Ebro. This is currently open ated by Montefibre.

In recent years, the west European acrylics-fibre industry has suffered a variety of problems as a result of weak demand from the textiles industry and large quantities of cheap imports from outside Europe. The business is operating at about 25 per cent below capacity and many factories have incurred heavy losses.

Courtaulds said that the purpose of the new joint venture was to strengthen the acrylics fibre industry in Spain and optimise the resources of itself and Enimont.

ness as well as interests in

The developing businesses

had already seen some success

with the signing by Swanyard

Records of Technotronic which

reached Number 2 in the music

charts. Swanyard Films had

made a first-time contribution

to profits with sales of Run-

Turnover was £2.28m

(£785,000). The pre-tax figure

was struck after an exceptional

charge of £31,000 (£87,000)

Earnings were 0.084p (0.061p).

for 1,997,222 new ordinary

shares and a further 1,997,222

new ordinary have been condi-

tionally placed by Allied Pro-

These new ordinary are

being offered to Platon share-

holders by way of an open offer

at the placing price of 53p a

share. An EGM has been called

for August 7 to seek sharehold-

vincial Securities.

ers' approval.

communications.

away Dreams.

exchange and completion later this month. Despite the difficult trading climate, the company was confident about the

year's result. The original figures contained the results of a management revaluation of certain properties, which was £3.1m higher than an independent one carried out at

the last year end. The revaluation arose as result of new factors, mainly concerning rental levels, which became known since the end of the year.

The directors said they would either obtain a new valuation by the original valuers or dispose of the properties at a price that equalled or exceeded the restated book value by the year end.

Lloyd's of London

We have been asked to make it clear that the manager of Pulbrook Marine Syndicate 334, mentioned on these pages on June 11, is Pulbrook Underwriting Management Ltd. and not an individual of the Pulbrook family.

Theo Paphitis leaves AT Trust as another rescue is planned

By Andrew Hill

MR THEO PAPHITIS, former chairman of AT Trust, has resigned as a director of the troubled property, financial services and leisure

Mr Paphitis took charge of ted that its interim results the group three years ago, when it was a loss-making "technical" delay in certain engineering and leisure company called Astra Industrial Instead of pre-tax profits

> AT is now planning to raise £1.8m through a rights issue in an attempt to cut the burden of debt at the company, which has been hit by problems with its leisurewear operations. The group warned that losses were likely to have

Brit Building

falls to £0.32m

The profit decline experienced

in the first half continued in

the second six months at Brit-

ish Building and Engineering

Profits in the second half for

the Bedfordshire-based maker

and hirer of scaffolding and

other building equipment were

£47,000, compared with

£310,000. Directors said at the

interim stage, when they

blamed high interest rates,

that trading in the period

The total for the year to the

end of March was £324,000, less

than half the £724,800 of the

Turnover was £6.19m

(£6.7m). After tax of £116,000

(£286,200) earnings per share

came out at 17.2p (37.7p). The

directors are recommending a

lower final dividend of 1.5p (2p)

The following changes have

been made to the Share Infor-

NV (Section: Trusts, Finance.

Additions: Intrum Justitia

Deletions: Golconda Miner-

for a total of 2.5p (4p).

would be difficult.

previous year.

mation Service:

Appliances.

increased in the second half of 1989-90. The group could also add to the £1.56m of extraordinary items written off in the first half, when it made a £484,000 pre-tax loss.

An earlier rescue plan which would have involved Mr Michael Dart, a US businessman, investing £750,000 in AT and becoming chairman - fell through last month. Under the new plan, Mr

Colin Ulyatt is to become chairman. Mr Ulyatt, who used to work for British Shipbuilders, is a director of Energy & Marine Industries (EMI), which is to underwrite £1.2m of the

Two other directors of the group - Mr Leonard Rae and Mr Alan Milton - are also connected with EMI, a holding company with interests in engineering and waste man-

AT said the rights issue price would be fixed as soon as the 1989-90 results were known and would be linked to the net tangible asset value of the

It added that it intended to review the possible 24m sale of Cerex Jewels, its gift retailing operation.

AT's shares, which reached a peak of 58p last August, were unchanged at 9p on Friday.

Danbury £1.2m in the red and Engineering after exceptional charge

DANBURY GROUP, the USM-quoted property company, reported a pre-tax loss of £1.24m for the year to March 31 compared with a previous

profit of £1,79m. This was largely due to an above-the-line exceptional item of £2.3m, which related to the carrying value of certain development properties which had been written down to net realisable value in recognition of the current depressed state of the property market,

Mr Douglas Moonie, chairman, said the recession in the residential property sector since late-1988 had been followed by an equally severe recession in the commercial property sector, particularly from the last quarter of 1989 onwards.

He said that over the past months property values had weakened generally as invest-

Kromagraphic (Third Mar-

Nevada Goldfields (Canadi

Rockwood (Transport).

Spice (Motors).

als (Mines-Australians).

ment yields had moved in line with the current high level of interest rates.

Total borrowings of £14.7m and gearing at end-March were higher than originally antici-pated, principally due to the difficult market which affected the timing of sales. However, borrowings would

be reduced significantly in August when the final £3m tranche of the proceeds of the Maldon Ironworks sale was due to be received. Turnover of the group was down from £4.45m to £3.93m

and an operating profit fell to £1.06m (£1.79m) before the exceptional item. After a tax credit of £307,000 (£623,000 charge) and minority interests of £9,000 (£7,000), the

loss per share was 12.7p. The directors have recommended the payment of a dividend of 0.562p for the year.

Investment trust moves to attract Globe money

By Nikki Tait

AN INVESTMENT trust group. Fleming Investment Trust Management, has finally challenged the attempts by unit. trust rivals to win over private shareholders in Globe Investment Trust. The British Coal Pension Funds, which has waged a lengthy £1.11bn bid for Globe, gained control of its target a week ago.

FITM said that it would waive its normal £12.50 fee if holdings were sold through its savings plan share exchange facility. This scheme would allow Globe shareholders to sell their shares to Fleming for 205p apiece - identical to the Coal Funds offer - if the proceeds are reinvested in the group's investment trusts.

A number of unit trust groups - including L&G, Gartmore and Schroders - have already unvieled schemes designed to attract private investor money put into Globe.

Wm Ransom's 7% increase

William Ransom, manufacturing chemist, has reported annual taxable profits up 7 per cent, from £806,000 to £864,000, in the year ended

March 31 1990. They were struck after an unchanged deduction of £21.000 for profit sharing. Sales for the year also rose 7 per cent to £6.54m (£6.12m).

After tax of £287,000 (£278,000) earnings per 10p share came to 3.76p (3.46p). The final dividend is 1.169p to make an increased total of 1.694p (1.52p) for the year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not evallable as to whether the dividends are interime or finals and the subdivisions shown below are based meinly on lest year's timetables.

Interims- Acaie, Central Motor Auctions, Evode, Plateau Mining, St. Andrew Trust,

plan Lloyd BWD Securities

open offer to shareholders. expansion plans for the busi-Based in Domont, near Paris. ness, funds advised by Thomp-MIP's business is the manufacson Clive & Partners have conture and distribution of level ditionally agreed to subscribe

JAPAN AIRLINES COMPANY, LTD. Bearer Warrants

to subscribe up to \\ 132,850,000,000 for shares of common stock

NOTICE TO WARRANTHOLDERS Reference is made to the instrument (the "Instrument") by way of deed poll dated 20th April, 1989 executed by Japan Airlines Company, Ltd. (the "Company") relating to the above captioned warrants (the warrants). Pursuant to Clause 3 (xiii) of the Instrument, notice is hereby

given of the following: 1. In accordance with the resolutions of the Board of Directors of the Company passed on 24th April, 1990 and of the general meeting of shareholders on 28th June, 1990, the Company will effect a sub-division of its common stock. Each existing share of ¥500 par value will be divided into 10 shares of ¥ 50 each with effect from 8th August, 1990. Trading of the Company's shares on the Stock Exchanges in Japan upon which they are listed will be suspended during the period 1st August, 1990 to 7th August, 1990 (both dates inclusive).

Certificates for the shares resulting from the sub-division may be obtained as from 11th September, 1990 by submitting to the Company on or prior to 7th August, 1990 certificates in respect of the existing shares held. Accordingly, during the period 8th August, 1990 to 10th September, 1990 (both dates inclusive) settlement of transactions in the shares on the Japanese Stock Exchanges on which such shares are listed will be effected by delivery of transferable receipts to be issued by the Company in exchange for certificates for the existing shares.

3. As a result of the above sub-division, the Subscription Price (as defined in the Instrument) of the Warrants will be adjusted pursuant to Clause 3 (i) of the Instrument as set forth below: Subscription Price before adjustment: ¥16,221.4

Subscription Price after adjustment: Effective Date of adjustment:

¥ 1,622.1 8th August, 1990 (Japan Time)

4. In view of the foregoing any Warrantholder who exercises a Warrant on or after 27th July, 1990 will be deemed to have exercised such Warrant on or after 8th August, 1990 at the exercised such Warrant on or after 8th August, 1990 at the adjusted Subscription Price. In satisfaction of its obligations under the Warrants so exercised the Company will issue a transferable receipt at the request of Warrantholders. Such transferable receipt may be traded on the Japanese Stock Exchanges during the period from 8th August, 1990 to 10th September, 1990 (both dates inclusive). Such receipts will be exchangeable for certificates at any time on or after 11th September, 1990. On or after 11th September, 1990 Warrantholders exercising Warrants will receive certificates representing exercising Warrants will receive certificates representing shares of ¥50 par value.

JAPAN AIRLINES COMPANY, LTD. 7-3. Marunouchi 2-chome, Chiyoda-ku, Tokyo

Dated: 16th July, 1990

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange, if does not constitute an often of, or invitation to subscribe for or purchase any accurates. Dealings in the crosting Ordinary Stares and Warrants of Amalgamated Firancial Invasiments PLC were suspended on 22 June 1990. Application has been made to the Council of The Stock Exchange for the admission to the Official List of the Ordinary Shares, the Warrants and the new Ordinary Shares to be issued pursuant to the acquisitions. Dealings are expected to commence on 19 July 1990.

AMALGAMATED FINANCIAL INVESTMENTS PLC (Incorporated in England with registered number 350345)

MINERALS ACQUISITIONS Share Copital

The following table shows the authorised and leasted share capital of Arraigumeted Financial Investments PLC tollowing completion of the Mineral Acquisitions: 750,000 Ordinary Shares of 1p each in addition the Company has in Issue 8,903,626 Warrants each of which entitles the holder to subscribe for one Ordinary Share of 1p each in the Company at a price of 50p per Share until 31 March 1993.

The principal activity of Amalgamated Financial Investments PLC is the exploration and exploitation of mineral reserves in the UK and overseas. Copies of the Listing Particulars relating to Amalgamated Financial Investments PLC are available in the statistical service of Edel Financial Limited and may be obtained during business hours (Saturdays and public holidays excepted) up to and including 18 July 1990

Company Announcements Office, The Stock Exchange, 46-50 Finabury Square, London ECCA 100 and up to and including 30 July 1990 from: Amaigamated Financial Investments PLC,

Show & Co. Limited, 4 London Wall Buildings, Blomfield Street, London EC2M 5N7 London SWIY 6LX

Show & Co. Limited are members of The Stock Exchange and The Securities Association.



Cardiff Automobile Receivables Securitisation (UK) plc

£328 million Floating Rate Notes Due 1995

In accordance with the provisions of the Notes, notice is hereby given that for the first interest period from 12th July, 1990 to 27th September, 1990, the Notes will carry interest at the rate of 15.25 per cent. per annum.

Interest payable on 27th September, 1990 will amount to £321.71 on each £10,000 Note.

> Chartered WestLB Limited Agent Bank

BASE LENDING RATES

Disecan Lawrie

• HIM Samuel .

C. Hoare & Co. .

Lloyes Bank McDennell Douglas Bok

Meghraj Bank Lid Migland Bank

Adam & Company . Alfied Trust Bank . Altied Irisk Bank Henry Anshacher Bask of Crords.

Associates Cap Corp 👂 🛭 & C Merchant Bank ... Banco Bilhao Vizcara Cank of Ireland Bank of Scotland. Bastonie Belge Lital

Benchmark Bank PLC ... Brit Bk of Mid East Brown Stibley
CL Bank Hederland ... Charterhouse Bank. Citibani NA City Merchanis Bank Co-operative Bank *15

Northern Bank List 15 Nylvetit Mortage Bank 151₂ Provincial Bank PLC 16 Cyprus Popular 8k Dudhar Bank PLC R. Raghael & Sons Eosatoriai Bank pic Rochurghe Bask Ltd. Royal Bk of Scotland ... Exeler Trust Ltd Floancial & Sen. Bank ... Royal Trust Bank First National Back Pic. Smith & Willman Ses. Robert Fleming & Co. Robert Fraser & Pines. ... Standard Chartered O United 8k of Kurait ... Volled Mizrabi Bank ... Unity Trest Bank Pk; Hampshire Trust Plc Heritable & Gen in Bok. Westeac Bank Corp. Hongkong & Standh..... Leapold Joseph & Sons ...

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spitariyation £000's	Company	Price	Change on week	Gross div (p)	Yield	P/E	
8847	Ass. Brit, Ind. Ord	273	-2	10.3	3.8	74	
625	Armitage and Rhodes	25	0				
118031	Bardon Group (SE)	150	-2	43	2.9	14.6	
16700	Bardon Group Cv. Pref. (SE)	97	ō	6.7	6.9		
4294	Bray Technologies	71	Ŏ	5.9	8.3	6.3	
	Brembill Cope Pref	82	ă	11.0	13A		
1201	CCL Group Ordinary	316	-1	14.7	4.7	3.9	
2088	CCL Group 11% Coay Pref	167	+1	14.7	38		
16740	Carbo Pic (SE)	225	+5	7.6	3.4	13.2	
770	Carbo 7.5% Pref (SE)	110	0	10.3	9.4		
	Magnet Gp Non Voting A Caro	0.1	ŏ	-		_	
	Magnet Gp Non Voting B Cm*	0.1	ŏ		_		
4460	Isis Group	56	-1	8.0	143	3.2	
25336	Jackson Group (SE)	118	ō	3.6	30	137	
25108	Multihouse N.V (AmstSE)	322	+2	7.0	50		
1377	Robert Jenkins	135	+5	20.0	7.4	4.9	
15600	Screttors	325	0	18.7	4.0	-	
	Unistrut Europe Coov Pref	178		9.3		8.6	
7077	•		+5		5.2		
3927	Veterinary Drug Co. PLC	238	+1	22.0	9.2	9.4	
8624	W. S. Yeatrs	385	-1	16.2	4.2	31.1	

Securities designated (SE) and (USM) are deal; if subject to the rules and regulations of the ISE Other securities listed above are dealt in subject to the rules of TSA. These securities are dealt in strictly on a matched bargain basis. Neither independent Companies Exchange Limited nor Granville Davies Limited are market makers in these securities These securities are dealt on a restricted basis. Further details available.

Independent Companies Exchange Limited 7 Mansell Street, London E1 8AF Felephone 071-458 1212 Member of TSA

Granville Davies Limited T Mansell Street, London El SAF Telephone 071-458 1212 Member of The ISE & TSA

MERICALISMENT

European Investment Bank

£185,000,000 9 per cent. Loan Stock 2001

S.G. Warburg & Co. Ltd. announces on behalf of European fovestment Bank that in the six months preceding 16th July, 1990, £500,000 nominal amount of the above Loan Stock was cancelled pursuant to the provisions of the Purchase Fund

relating to the above Loan Stock in respect of the twelve months purchase period ending on 16th July, 1990. As of 16th July, 1990, £170,540,000 Loan Stock was outstanding. S.G. Warburg & Co. Ltd.

Purchase Agent 16th July, 1990 **#311111111111111111111111111111111**

PLEASE CALL

Heles Day 071-407 5751

Sara Gales 671-467 5753

Comma Steverson 071-487 5763

CORRECTED NOTICE

HMC MORTGAGE NOTES 3 PLC £150,000,000 Class A

£11,500,000 Class B

Mortgage Backed Ploating Rate Notes Due July 2015 For the interest period 12th July, 1990

to 12th October, 1990 the Class A. Notes will bear interest at 15.325% per annum. Interest payable on 12th October, 1990 will amount to £3,862.74 per £100,000 Note. The Class & Notes will beer interest a

163% per annum. Interest payable on 12th October, 1990 will amount to £471,027.40 per £11,500,000 Agents Morgan Guaranty

Treat Company IF Morpus

FOKUS Bank A/S

U.S. \$30,000,000

Floating Rate Subordinated Notes due 1997. Holders of Floating Rate Subordinated Notes of the above issue are hereby notified that for the Interest Period from 17th July, 1990 to 17th October, 1990 the following information is relevant:

 Applicable interest rate: Payment Date:

8%% per annum 2. Coupon Amount payable on Interest US \$214.03 per US \$10,000 Nominal

3. Interest Payment 17th October, 1990

Agent Bank Bank of America International Limited

MERCURY SELECTED TRUST -**AUSTRALIAN FUND**

Société d'Investissement à Capital Variable 14, rue Léon Thyes, L-2636 Luxembourg Grand-Duchy of Luxembourg RC Luxembourg B-6317

Shareholders are informed that the name "MERCURY SELECTED TRUST -AUSTRALIAN FUND" has been changed to "MERCURY SELECTED TRUST -AUSTRALIAN & NEW ZEALAND FUND" by resolution of the Board of Directors on June 1, 1990. Shareholders in the Fund "MERCURY SELECTED TRUST - AUSTRALIAN FUND" may tender their share certificates for stamping at the counters of the paying agent, BANQUE INTERNATIONALE A LUXEMBOURG, 2 Boulevard Royal, L-2953 Luxembourg, during a period ranging from July 30, 1990 to August 31, 1990.

After August 31, 1990, only stamped shares certificates will be of good delivery on the Luxembourg Stock Exchange. The current Prospectus of the Company is available at the registered office

of the Company, The Board of Directors

ASSOCIATED JAPANESE BANK (INTERNATIONAL) LTD., LONDON

Callable negotiable floating rate dollar certificates of deposit US \$ 40,000,000 issued 11th September, 1986 maturity 13th September, 1991

Euroclear code 18137: Cedel code 926 698

Notice is hereby given that the Associated Japanese Bank (International) Ltd. has duly elected to repay the principal amount on 13th September, 1990 in accordance with the Early Redemption Provision of the said issue.

> ASSOCIATED JAPANESE BANK (INTERNATIONAL) LIMITED

TO ADVERTISE IN THE FINANCIAL TIMES STOCK INDICES HOLIDAYS AND TRAVEL SECTION

	July 13	Joly	July	July {	July (Jölð (1990	. 1	Slace Com	pliation
		14		10	7	-	High	LOW	High	Low
Government Secs	78.94	78.72	78.67	78.78	78.40	78.63	84.20	74.13	127,4	49.18
Fixed Interest	87.34	87.26	87.28	87.21	87.24	87.80	92.91	83.80	105.4	50.5
Ordinary	1880.1	1870.1	1877.7	1855.0	1859.3	1865.0	1968.3	1653.6	2008.6	49.4
Gold Mines	175.7	172.7	174.2	173.9	179.3	180,9	378.5	167.9	734.7	
FT-Act All Share	1168.82	1164.78	1160,62	1147.60	1152.34	1154,10	1226.83	1043.16	1238.57	43.5
FT-SE 100	2382.2	2370.5	2360.5	2327.5	2337.5	2340.0	2463.7			61.92
71-02 300 [1]1111111	A POLICE	210.3	2,00.3	داعد	237.3	270.0	2403.7	2103,4	2463.7	986.9

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			W	ORLD STOC	
AUSTRIA	5,776 3,480 Docks de France 3,899 643 521 Dolffrast-Miles 525 768 485 Durace S.A. 754 2,750 2,015 Eaux (Cle Gen) 2,630 620 454 Ecco 526 1,083 880 Electrofili re 965 1,083 880 Electrofili re 965 1,400 1,135 Epeda-Bertrand 1,244 3,020 2,400 Essitor 2,105 2,690 1,960 Earafrance 2,000 2,450 1,731 Eurocom 2,090 1,082 90 Euro Disseyland 1,01.1 4,920 1,610 Euro Disseyland 1,01.1 4,920 1,610 Euro Disseyland 1,690 221 178 Fluente 1,690 222 178 Fluente 1,690 2,020 1,630 Exor 1,622 2,700 2,240 Francageries 1,622 2,700 2,240 Francageries 1,690 1,210 815 Fouciere Lyonn 1,622 2,700 2,240 Francageries 1,690 1,210 802 Gamont (Soc N) 1,000 1,409 940 Gen Geophysique 1,229 375 710 Gen Geophysique 1,229 484.8 300.3 Hachette 318.7 698 617.5 Havra 318.7 698 617.5 Havra 318.7 698 617.5 Havra 631 375 260 Intertechnique 1,346 1,400 7,010 Indestrictin 651 5,450 3,135 Legrand 4,507 4,507 478 Locafrance 502 176.8 96.65 Michelin B 97 1,402 1,201 Midi (Clei 1,256 1,402 1,201 Midi (Clei 1,255 1,402 1,201 Midi (Clei 1,255 1,403 1,007 Parthas 637 1,404 1,007 Parthas 637 1,409 1,400 Parthas 651 1,400 1,400 Parthas 651 1,400 1,400 Parthas 651 1,400 1,400 Parthas 651 1,401 1,007 Parthas 651 1,402 1,400 Parthas 651 1,401 1,007 Parthas 651 1,401 1,007 Parthas 651 1,401 1,007 Parthas 651 1,401 1,007 Parthas 651 1,402 1,400 Parthas 651 1,401 1,007 Parthas 651 1,402 1,400 Parthas 651 1,403 1,401 Parthas 651 1,404 1,007 Parthas 651 1,405 1,400 Parthas 651 1,400 1,400 Parthas 651 1,400 1,400 Parthas 651	1998	1996	1990 1991 13	Se Contract of the second of t
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FINANCIAL TIMES MONDAY JULY 16 1990 CURRENCIES, MONEY AND CAPITAL MARKETS MONEY MARKET FUNDS MONEY MARKETS POUND SPOT- FORWARD AGAINST THE POUND **Money Market** LONDON RECENT ISSUES Peseta provides a EQUITIES Trust Funds 1 8050 - 1 8060 2 0905 - 2 0945 3.33\(\cdot\) - 3 34\(\cdot\) 61 05 - 61 15 11 20\(\cdot\) - 11 29\(\cdot\) 1 10/0 - 1 1080 2 96\(\cdot\) - 2 96\(\cdot\) 259 80 - 260 80 181 15 - 181 65 2170\(\cdot\) - 21/1\(\cdot\) 11 39\(\cdot\) - 11 40\(\cdot\) 0.76.0.62m 51-5%pm 95-75pm 13-11%pm 13-11%pm 4% 4%pm 8-4pm 20-18pm 111-10pm 111-11%pm 7%-6pm 4%-4%pm 33-30%pm 34-3%pm 161-1.5opm warning to sterling Date High Los CAF Money Management Co Ltd 48 Perabury Road Tontridge TN9 2JD 6732 770114 Calcall Deposit Ed 114 56 -13-801 -4 110 ASI Linuxe 100 28 East Philippe Nov. Tel. 10 Oo Warrants The COLF Charities Deposit Account 2 Fore Street, Loadon FCTY SAQ 071-588 1815 2 FORE Street, Loadon FCTY SAQ -13-86ml -High yielding currencies are in Figher (Albert) Wires. . French Property Tot If the pound enters the ERM demand at present, including this year many City 4 4 - 4com the Spanish peseta within the Cottes Vale Irig Jupiter Ears Ins. Tr. Do Warrens conomists believe it will be un L0158° | 51 |24 |115 European Monetary System. This is causing problems for the authorities in Madrid, and some observers believe it could 24-24 preprint 14-15 preprint 114-15 preprint 114-15 preprint 15-56 preprint 15-5 the same exceptional 6 per cent range of movement governing Latin Apper for Linit R4 05 24 47 92 the peseta, but even this has R2 2 29 35 93 Dartington & Co Ltd 10 The Crescent Plymouth PL1 3AB 0752 673873 Monry Mks Acc. 133 75 10 72 | 14 94 | - . not been enough to keep the Parcas French & Wirnes Potencylet 10s Sum Select. Growth Tst Do Warrants be a warning to Britain on Spanish currency under locking a currency into the control. Last week the Bank of 123 18 26 151 I King Street, (IJanchester RI2 6AM) D61 III A 2535 HICA (E1 0004). 14 4375 11.26 15 66 History Rightet Deposit Account 11-1999. 10.00 7 800 10 80 EI 000-124 909 14.00 18 92 15.31 125 000-124 909 14 4375 11.26 15.81 1250 000-1999 909 14 625 11 407 16 03 EI 000 000 upwards 14 625 11 407 16 03 Hinto Our Market Account 110,000-124 909 15 00 11 70 15 60 E25 000 upwards 15.375 11.99 15.99 exchange rate mechanism Spain was forced to sull pesetas DOLLAR SPOT- FORWARD AGAINST THE DOLLAR before it can be justified by on most days; since a economic fundamentals. In this revaluation is not a practical Bank Accounts regard the peseta and option, it may be left with the 1 8050 · 1 8060 1 6270 · 1 6300 1 1570 · 1 1580 0 28-0 23cpm 1 1570 · 1 1580 0 32-0 55cdm 1 8510 · 1 8520 33 80 · 33 90 6 254 · 6 254 1 67-1 27uresis 1 6420 · 1,6430 1 644 15 · 144 25 1 100 70 · 100 80 1 2024 · 12024 6 31 · 6 31 · 6 31 · 6 1 25-1 500redis 5 76 · 5 96 · 1 1 47 40 · 147 50 1 156 · 1 156 · 1 1 56 · 1 156 · 1 1 3925 1 2580 · 1 2540 1 101-0 99cpm 1 156 · 1 156 · 1 1 33 · 1 96credis 0 10-0 089cpm 1 156 · 1 156 · 1 1 3925 1 2580 · 1 2540 1 25-1 20cpm 1 156 · 1 156 · 1 1 3925 1 2580 · 1 2540 1.7970 - 1.8110 1.5275 - 1.5325 1.1555 - 1.1580 1.6480 - 1.8670 33.75 - 33.95 6.244 - 6.27 only alternative of cutting FIXED INTEREST STOCKS interest rates. UK clearing bank base leading rate Financial & General Bank ptc 13 Lander Street London SWIX 9EX 071-235 0036 910 & 15 000-35 000 ... 13.40 10 50 14 70 -H I D.4. L15,000- 13 67 10 70 15 00 -0 03cm-par 3 00-13 00dis 3 00-3 60dis Spanish growth remains strong. The Organisation for Economic Co-operation and 30 City Road, ECLY 2AY I mosery Act, 13 50 No by Carlo (APP) 13 50 Estingles 32444 (N. ... 14 00 Map for Cay (50 000) ... 14 50 Commercial Price Pr;22 1 6375 - 1 6480 144 15 - 144 30 100 56 - 101.00 1202 - 1207 630 - 6 324 5 504 - 5 534 3 00-3 800F, 0 02-0 050H 160-185dH 151-168dH 8 80-9 704E 4 00-4 60dH 2 62-2 726H 5 80-6 356E 0 23-0 20pm 0 70-1 80dH 0 23-0 29dH 0 67-0 64pm High Dete Garimore Money Management Ltd 2-3 White Har: Yard, London SEI 1NX 071-236 1425-Money Ming. Act L. | 13 875 10.82 | 15 03 | - | Anglian Water 5 4 pc Index - Na Lin 2008 - SICC Cap Fee 10.75cc Cr Cap 8cc 2020 - 90 Schedird Toys 125c Cr Ucs Lin. 2005 - 810 European Lekarr 8 75p (Net) Cr R4 Pf 96p Heparorth Cap Fee. 11 4 pc Cr Box 2005 - 36p Reckits & Colman 9 5pc Cr 8d; 2005 - 1004 Feeco Capital 95c Crr Cap. 8a 2005 - 21g Hamkins Units Non Let La op 95p Wyscham Green 9 375pc Crs Pf - 35p York Torst 8 5p Utet) Rd Cr Pf 20p Development has forecast GDP growth of 4.2 per cent this year, slowing to 3.8 per cent in 1991. This is not a time when sterling may have more than a 5 95 - 5 97 147 25 - 147 95 11 55 - 11 58 4 1 3895 - 1 3975 1 2560 - 1 2610 6 P 6 P 161 6 P little in common. The average ERM inflation the Bank of Spain would chose American Express Bank Ltd e/o American Express Financial Services Limited 49 The Martiets Burgess Hill rate is around 3 per cent, but to cut interest rates, and a in Spain it is 6.5 per cent and E50,000+ 15 00 11.70 16.30 pound supported by a similar Commercial rates taken towards the rest of London trading 1 UK, bretand and ECU are quoted in US currency. Forward pre-minters and discounts apply to the US dollar and put to the radividual currency. in the UK the underlying level interest rate structure could Lloyds Bank - Investment Account 7! Lombard St. London EC3P 38S 071 125,000+ 14 30 11 7 12 15,000+ 13 9 10 5 14 5etow £5,000 ... 7.7 5 5 is 6.9 per cent. Short term end up in the same situation. peseta deposit rates are about Whether this disturbs a UK RIGHTS OFFERS 14% per cent and short term EXCHANGE CROSS RATES Government already thinking sterling rates are in the region Cosing about a general election is M & G/Kleinwort Berson Price + or Pset Restrict Date of 15 per cent. M & G Hse. Victoria Rd. Chetambord 0245 266266 H 1 C.A. 152,500+L 123 25 10.335 14.47 another matter. CS BFr. HIJA Bank of Scotland 38 Threadnesdie St. ECC P ZEH HIS Control (2500-CN) 997 | LJ 4 C25,000+ | LJ 65 Attractis Corrad Cost | 10p Electron House 10p 9 953 5.511 CURRENCY MOVEMENTS E IN NEW YORK Barciays Capital Advantage Account #50,000+ ... | 13 46 | 10 000 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 10 | 14 0 848 4.437 July 13 Expl Cool Logisters Close NatWest Special Reserve Account 8128-18138 107-100pm 2-95-2-93pm 9.77-9-67pm 2 979 1 180 2181 2 104 563 9 0.833 2335 Administry dividend is Figures traced on prespectus estimates, a Dividend rate paid or payable on part of capital, cover based on dividend and yield of Earnings traced on preliminary lighters is Dividend and yield exclude special expected in Forecast, or estimated amountsed dividend entires rate cover pased on previous year's narrough. If Dividend and yield based on prospectus or other official estimates for 1989 it Onicond and yield based on prospectus or other official estimates (invited, cover and pie based on laters annual curvings. If Dividend and yield based on prespectus or other official estimates for 1990. If Dividend and yield based on prespectus or other official estimates for 1990. If Dividend and yield based on prespectus or other official estimates. If Program is a Frances annualised dividend cover and pie ratio based on prespectus or other official estimates. Where Fores is figures. If issued by tender 4 Official on holders of ordinary shares as a "rights" is knowned to holders. If there exists a Program is the consension with restriction, marrier or takender. Hinch consension 11 new ord. A 2 warrants 4 hazed in consension with restriction, marrier or takender. 79 66 122 7 end and discounts apply to the US dollar 1 540 Provincial Bank PLC medi Kante Destricts Mark Seles Franc 1 200 4 113 STERLING INDEX 4,15 8 Royal Bank of Scotland pic Premium Acc 071-631 3313 42 St Andrew Sq. Edinburgh EH2 2YE 03 - 550 000+... 13 98 10 90 11 90r - 625 000 - 649 999 13 79 10 75 12 - 610 000 - 624 999 13 59 10 60 14 - 62 500 - 69 999 1150 9.75 12 July 13 Presides Yen per 1 030' French Fr ger 10 Lira per 1 000 Belgiam Fe, per 100 Morgan Guaranty changes average 1980-1982 -- 100. Bank of England Index (Base Average 1985 -- 1000 -- Bank are forduly 12. **EURO-CURRENCY INTEREST RATES** Six Mosths One Year WHO-S FOREIGH EXCRANGE BANK OF ENGLAND TREASURY BILL TENDER -----1-mm 3-mm 6-mm 12-mm 17955 1.7760 1.7497 1.7077 15-14 % 8 %-8 % 13 %-13 % 7 %-7 % 8 %-8 % 10 %-10 % 11 %-10 % 7 %-7 % 10 %-8 % DAN-STEPLING SE PER E **CURRENCY RATES** Total allocated 1.7696 1.7616 1.7390 Minum accepted bid Decischmark Fr. Franc ... Carrency Unit Lietment At minimum level . talus Lira 29-JJ Process Victoria St. Bristof Remand Acr. 13 75 HIMA 1175 HIMA £100,000+ 14,00 Client Ples Acc. 13-37 WEEKLY CHANGE IN WORLD INTEREST RATES 25 Barchire Lane, London EC3V 96J HICA 13.50 10.53 Consort 15,000 min. 14 125 11.0175 OTHER CURRENCIES 0,749344 1.33608 1.54825 15.5907 45.6605 8.43200 2.21696 2.49780 7.44063 1624.93 198.809 8.50148 135.853 8.03648 1.88187 N/A D Kreer. MOO NO. Bace rates . 9478.50 - 9519.85 | 5260.00 - 5280.00 | 2 2965 - 2 2890 | 1 2630 - 1 2640 | 118.990 - 120.050 | 66.000 - 66.600 | 69.340 - 6.9565 | 3 6420 - 3.8450 | 289 15 - 290.25 | 160.90 - 161.10 Long term Eurodolian; two years 84-82 per cent; three years 84-84 per cent, four years 9-84 per cent, the years 94-84 per cent nominal. Short term rates are call for US Dollars and Japanese Yes; others, two days' notice. day beterbank month laterback 14 0265 - 14 0405 7 7670 - 7 7690 FT LONDON INTERBANK FIXING Japanese Ves ... 54 Norway Krose . 8 Spanish Peseta ... 8 Swedish Krosa ... 11 Switz Frank 6.00 Greek Drack ... 2012 124.50° 1288.40 - 1309.20° 1288.40 - 1309.20° 1288.40 - 1309.20° 1288.40 - 1309.20° 1288.40 - 1309.20° 1288.40 - 1309.20° 1288.40 - 1309.20° 1288.40 - 1289.40° 1288.40° 1288.40° 1288.40° 1288.40° 1288.40° 1288.40° 1288.40° 1288.40° 1288.40° 1288.40° 1288.40° 1288.40° 1288.40° 1288.50° 1288.40° 1288.40° 1288.40° 1288.40° 1288.40° 1288.40° 1288.50° 1288.40° 12888.40° 12888.40° 128888.40° 128888.40° 128888.40° 1288888.40° 128888888888888888 One with Interbank Many other currencies are available—for rates piesse phone ext. 2168 6 months US Dellars (11.00 a.m. July 13) 3 months US dollars One suth. Interback. The fluing rates are the arithmetic means rounded to the nearest one-shreenth, of the bid and offered rates for \$10m quoted to the quarket by five reference basis at 11.00 a.m. each worklop day. The basis are National Westmioster Bank, Bank of Tokyo, Deutsche Bank, Banque Mational de Paris and Morgan Genranty Trest. firee mosth Bijk RUSSELS t Europeas Comunicacion Calcalatines. All SDR rates are for July 12 Three recent O41 248 7070 Otr 250 Net actual rate to those exempt from composite rate of Otr 500 Net actual rate after deduction of CRT to Equip CAST Otr 500 Otr 500 CRT to Equip CAST Otr 500 Otr 500 CRT to Equip CAST OTR 500 CRT to Equip MONEY RATES NEW YORK Treasury Bills and Bonds CHICAGO Three year. Four year. Five year... U.S. TREASURY BOXES (CB7) 8% \$199,608 32mb of 100% LONDON SHARE SERVICE 0.6755 0.6781 0.6754 0.6789 0.6791 0.6798 93-27 93-17 93-08 92-31 Fed.foods at intervention... **BRITISH FUNDS** BRITISH FUNDS—Contd AMERICANS - Contd July 13 Price in S Last Interest City- Madet | Price Nt. 5 | Last | Interest | City- Assembly Price Niet %/YW/Last | Dividents I change Gr's xt Paid line -6.1 10.8 26.4 Fa My Aq In. 2109 -6.1 11.4 12.6 Ap Jy Oc Ja -2.2 7.8 13.6 Mar Jul S D 2135 -4.0 8.5 24.4 My Au N F 2141 6.0 2.1 20.4 F My Au N 2184 -5.3 7.8 31.5 Oc Mr. Ju.Sp. DESCRIPTION MARK (MAIN BM 125,000 S per DN 0 6048 0 6070 Index-Linked U.S. TREASURY BILLS (FMM) "Shorts" (Lives up to Five Years) 11.6 | 16. | 16. | 16. | 16. | 16. | 17. | 12. | 16. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 12. | 955 Treas. 8pc Cv 1990 ss... 1 887 Treas. 10pcCv 1990 ... 500 Exch 2½ pc 1990 ... 2 200 Treas 11 ½ pc 1991 ... 400 Feading 5¼ pc '67–91st... 400 Treas. 3pc 1991 ... 616 Treas 10pc Cv '91 # ... THREE-MONTH EUROPOLLAR (DAM) 91.80 91.81 91.82 91.65 91.48 91.19 91.19 LONDON MONEY RATES 91.95 91.98 91.93 91.74 91.57 91.37 91.29 91.17 Fig. 18 Sept. 1992 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 19 2.6 7.6 Ja Ap Jy Oc 2675 Six Mgaths Jul 13 thi Figures in parentheses show RPI base for indexing, (le 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3,945. RPI for November 1989; 118.5 and for June 1990; 126.7. Sterling GDs. Local Authority Deps. Local Authority Bonds SWESS FRANC (DRIN) ST: 125,886 5 per SF: 1 10 11 Mr 14 5- De 1.5 4.1 5.5 Mar Jus D (2986 Company Deposits Finance House Deposits Treasury Bills (Buy) Bank Bills (Buy) 5.8 15.2 Mar Jui 50 14.5 30.8 May 9 Mar 3216 2.3 29.5 June 3222 1,850 Treas 8 4 pc 1993. 1,850 Treas 10pc 1993st. 1,100 Treas 12 ½ pc 1993st. 600 Funding &pc 1993st. 1,665 Treas 13 4 pc 1993st. 1,600 Treas 8 ½ pc 1994. 550 Treas 14 ½ pc 1994st. 1,100 Exch 13 ½ pc 1994 1,400 Treas 10pc Ln. 1994st. 1,240 Exch 12 ½ pc 1994 1,600 Treas 9pc 1994st. 0.3 9.3 150ct 15Apr 12/9 0.3 20.6 14Jan 14Jus 1296 -0.1 6.2 15Mar 15Sep 1276 0.2 17.4 23Mar 23Mor 1304 0.5 27.6 3Aug 3Feb — 0.4 23.1 1 Sep 1 Mar 1307 0.4 21.3 270ct 27Apr 1267 0.6 3.5 9Dec 9Jun 1264 0.4 16.1 22Feb 22Aug 1263 0.4 10.4 17May 17Noc 1345 2.329.5 June 37 Dollar COs. SDR Linked Dep. Offer . SDR Linked Dep. Bid ... ECU Linked Dep. Offer ECU Linked Dep. Bid ... PHELADELPHIDA SE C/S OPTIBRIS CJI,250 (paris per El) Treasury 8185 (self): one-month 1415 per cent; three months 14% per cent; six months 1315 per cent; Bank 8184 (self): one-month 14% per cent; three months 14% per cent; Treasury 8185; Average tender rate of discount 14.3026 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 29,1990. Agreed rates for period July 25,1990 to August 25, 1990, Scheme !: 15.84 p.c., Schemes # & ##: 16.25 p.c. Reference rate for period June 1,1990 to June 29, 1990, Scheme # 14.5025 p.c. Local Authority and Finance Houses seven days notice, others seven days fixed. Finance Houses 8256 Rate 15½ from July 1, 1990: Bank Deposit Rates for suns at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 14 per cent; three-six months 15 per cent; three-six months 16 per cent; three-six months 17 per cent; three-six months 18 per cent; three-six months 19 per cent; three-six months 0.68 Wide Legal Serv. J. 341 SPHH Corp. J. Pacific Agr. J. 1600 SPacificoro 531 33 4.4 Jake Jy Oct **CORPORATION LOANS** 45 Birmingham 11 5 pc 2012. 92 12 -2.1 17.4 15 Nay 15 Nov 1837 40 GLC 6 14 pc 1990-92... 89 12 15.1 15 Fee 15 Aug 26 47 40 Leeds 13 15 pc 2006.... 185 12 m 1.0 12.3 1 Apr 10 ct 31 46 5 Liverpool 3 12 pc irred... 26 m 6.7 1.6 1 Lix Apr 14 0ct 31 69 25 LCC 6 14 pc '88-90.... 98 m 11.6 10 Jan 10 Jul 31 98 26 Jul 3 pc '20 Aft... 26 m 1.5 1 Mar Jn S 0 31 97 7 Manchester 11 12 pc 2007... 90 12 m -3.2 30.3 25 Apr 25 0ct 32 75 Previous day's open int: Calls 364,368 Parts 398,097 (All currencies) Previous day's volume: Calls 31,679 Parts 19,539 (All currencies) 5.701 Li Tenneco \$5..... 8.074.8 Texaco 56.25. 4.5 22.5 Mr Jn Sp Dc -5.1 8.5 Mr Je Se De 4200 FT-ACTUARIES WORLD INDICES COMMONWEALTH & AFRICAN LOANS Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood -S Rhori 2 2 pc Non-Asstri ... 206 - | 1Apr 10ct | 4 Do. 4 2 pc 87-92 Asstri ... 84 2 14.7 | 7Feb 7Aug Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries 2.8 22.5 Mr Je Su Oc 4381 NATIONAL AND THURSDAY JULY 12 1990 FRIDAY JULY 13 1990 DOLLAR INDEX REGIONAL MARKETS LOANS Storilog Index (S) Since show number of lines Australia (80) Austria (19) Belgium (61 Cenade (119) Building Societies 60 Trust Auglis 3 Apr Lo 2021. 101 0.1 22.6 30 Jan 31 Jul 3465 50 Do. 4.25 pcil. 24 101 d. 4 19.2 23 Fra 23 Apr -Finland (26) France (124) 93.75 West Germany (92).... Public Board and Ind. 25Met. 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(US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).

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The World Index (2370)... 150.83 -5.2 123.86 140.59 128.81 140.94 -6.8 2.46 149.32 123.26 140.41 128.53 140.20 162.05 132.25 147.03

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65

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93.1 Hogs Robinson 10p. pt 135ct 13 O Holias Groop 5p y 21
7.75 House of Lerose... y 236
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1.83 Jacques Vert 10p... y 230
1.58 4 Kingrisher... pt 230
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78.8t WT (Reps 3.93.3 pc Pft. v
63.5 le Marina Devs 50p... v
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211.5 Do. 7.25 p Dr Ref Pf 20s o
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21 de Provincia de la 187 de 28 de 187 de 29 de 187 de 29 de 187 de 29 de 187 de 29	INVESTMENT TRUST - Contd Section Section	### OULL AND GAS — Control ###	THIRD MARKET
The second column 15	300. Normands	April Apri	No par value Tr. Belgian Francs, Fr. French Francs 65 Yield based on imption Treasury Bill Rate stays unchanged until maturity of cit. c Cents, e Redemption yield, 7 Flat yield, k Kenya. C adian. E Minimum tender price. Treviations: se ex dividend; se ex scrip issue; ar ex rights; so ex streations: se ex dividend; se ex scrip issue; ar ex rights; so ex streations of Regional and frish stocks, the latter being quoted in irish currency. REGIONAL & IRISH STOCKS Toliowing is a selection of Regional and frish stocks, the latter being quoted in irish currency. Regional and frish stocks, the latter being quoted in irish currency. Regional and frish stocks, the latter being quoted in irish currency. Regional and frish stocks, the latter being quoted in irish currency. Regional and frish stocks. The latter being quoted in irish currency. Regional and frish stocks. The latter being quoted in irish currency. Regional and frish stocks. The latter being quoted in irish currency. Regional and frish stocks. The latter being quoted in irish currency. Regional and frish stocks. The latter being quoted in irish currency. Regional and frish stocks. The latter being quoted in irish currency. Regional and frish stocks. The latter being quoted in irish currency. Regional and frish stocks. The latter being quoted in irish currency. Regional and frish stocks. The latter being quoted in irish currency. Regional and frish stocks. The latter being quoted in irish currency. Regional and frish stocks. The latter being quoted in irish currency.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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4pm prices July 13 High Low Stock Biv 50½ 40 Gniact 3 52½ 57 GMot of 5 37½ 24½ GM 6 = .55 32½ 19½ GM H .72 47½ 39½ GPU 2.50 96¼ 57½ GenRe 1.52 59½ 45¼ GnSigni 1.50 9½ 5 Gensco 14½ 8½ GnvSt 0 7½ 3¼ GnRad 63¼ 35¼ GentPt 1.38 High Low Stock 1137 19 AAR .48 8 AGM n 1.01 9% ACMIN 1.28 7% AGM M n1.01 224 51 104 81 114 22 k - k 5 k 10 k + k 8 k + k 35 3664 254 244 12. 294 67 64 1.6 29 10751 614, 604 134 689 431 18¹9 95 DCNY 20 9-1617 5-160FL s 23 ½ 20 ½ DOE 1.36 95 6 ½ DatSem 42 ½ 30 ½ DansCp 1 60 22 ½ 13 ½ Danser 17 ½ 11 ½ Daniel .76 120 114 12 732 104 12 536 64 7 21 669 215 9% ACM 5c1.26 11½ Daniel .18
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2½ Datpi pl
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6¾ DWGI .86
52¾ Deere .2
16½ Delian .32
18 Delian .30
1¾ Delian .30
28¾ Delian .40
20⅓ DetE .32
75 DetE .37
3¾ DetE .37
3% 35 lg Gent Pt 1.38 6 lg Gent Pt 1.38 35 lg GaPas 1.60 25 lg GaPas pt2.50 25 lg GaPas pt2.43 22 lg GaPas pt2.43 22 lg GaPas pt2.30 5.0 9 284 8½
3.6 10 36 8½
27 667 46¾
13. 92 16½
377 11½
11. 2 21½
28 28 31½
28 28 31½ 25% 22% GaPw #2.87
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2.8 14 901 23 g 22 g
2.5 34 350 u44 41 g
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5 16 38 7 24 GldnViy 35 4 21 3 GldWF s .15 1.3 24 1090 u37 35 4 35 4 4 5 4.8 724263 24 4 23 4 23 4 - 5 18 37 ½ 37 ½ 37 ½ 20 9 7 86 ¾ 85 7 85 ¾ + ¼ 938 9-16 7-16 ½ +3-32 20 13-16 13-16 13-16 + ¼ 5% DimeNY 60 27 le DEI 4 Divrein 41% DumRs 3.32 9 690 ±34 8.3 10 511 38 654 454 CIGNA 3.04 6.7 81123 604 494 494 + 912 57 CIGHI 1 01 15. 384 77 74 74 912 57 CIGHI 108 2814 15 CML 3814 2714 CMS Eng.300 22 405 19 4 8.2 72 21 4 11½ Allen pf1.75 17 45 CMS Entr 1084 684 CNA Fn 12 4 ANGIE T 10 CNA 1 16 59 GPC 2 231₂ GPI .48 75 CRI IMB1.08 191₂ 111₄ Drawo 531₄ 361₄ Dresr 1.10 381₂ 25 Dreylus 52 111₄ 10 DryStr .78 111₅ 91₆ DryStG 1.08 101₄ 87₅ DryStM n.70 421₅ 34 5 duPont s1.50 25 21 4 ARon pr2.97 196 2213 10 4 CHI LIGE 160 12 to Granie 36 % 23 % Green pt2.80 1012 CUC Int 614 CV REI 1.05r 214 CDIW: n 68e 521, duPnt pf4 50 7 ij DuffPn 75e 49 ij DuteP 3.12 9% AMIOS n.48 6 - Gerifes 9 - Giestur 43 - Geu pid 21 - Geu pir 414 DuseRt .68 BO. DramA 2312 2112 Dug prit2.10 2514 2314 Dug pr 2.31 3½ 1-25 callun 278 17 18½ 11½ Callun 278 17 36¼ 24¼ Calmat .64 1.5 14 80 3 25 5-15 Callun 482 79 72 Dug pf 7 20 25 4 18 2 DynAm .20 4% 2½ HalfB SJA SJA Haten 14 37 CmpR g 62 42 4 CempSp 1 24 4 17 CdnPc g.925 51 15 CaniCa 5% 4 righted 45 4 HancFb .56 16 4 14 Hart 5 1.47 633 475 CapCits 29
541 39 Capfld 1 08
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8.9 313 224 214 22 50% 22% LA Gra 15% 8% LAC g 22 16% 9% LN No 1.58e 212 LLE Ry .530 514 LS: Lg The LVP of 18 2 13 4 LOvent 12 6 1 LOvelt 1 22 16 4 Lovel Boy 96 29 29 4 Led Go 2.55 20 18 1 Let go 40 14 Learni 7% LLIYAS SEE 15's Liebne 12:2 9 Llogat .55 27 1 55 Lilly s 1.6* 100 41 4 Lilly wt 25/2 15/4 Limits 8 124 Lacks 96a 62 x 5: 1 Lanched 2.60 92 8 24 7 24 24 + + 15 4 734 -40 % Locate 1.20 2.0 18 282 61 5 60 2 61 tel LilCe 25 25 LT 21173 35 22 11 #F2-0 364 235 LIL #02-47 42 2 36 4 LongOr 1.04 15 4 4 LongF 3 48 137 LaGael 46 2 IT Laimend 25 % LaP4, pt2.16 35 2 LCIVGs 2.78 32 2 Lubrai 1.44 45 4 25 1 Ludoma 1.40 3.4 8 434 4112 401 401 + 1 231 184 Ludoma 8.688 25 349 271 27 - 1 351 2512 Lydom 1.5Ca 7.8 5 1354 201 201 201 + 1 19% MCN 1 57 # MOC 194 LEGU TA A ME 9's MCR n 151 MMT Sig MFM 74 MGF 7 MFC 10% MNG s 1.16 14 74 Magnik 51 1 Major 24 31 Major Tia 17 12 Major 13 40% 34% MMH 044,050 45 12 Manyi wi 194 MarMD 20 43 4 Mayos 1.58 16 8 Maying .90a 16 4 McClet .16 26¹2 McDr pt2.20 24 McDr pt2.60 19 McDerl 1 354 314 McKes 1.60
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28 1/4 NYS pr 3 .75
3 86 1/4 NYS pr 8 .60
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40 2 36 3 Niskip! 3.50

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23 20 Niskip! 4.10

80 73 5 Niskip! 7.72

15 1 15 Niskip! 7.72

15 2 Niskip! 7.72

17 3 Niskip! 27e

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144

325 20 Nordis

15 Niskip! 1.21e

18 1 11 Niskip! 1.21e 81% 48% Nucor .48 . .5 % 10 7 NuewE n 12% 11% NVCMI 80 . 6.6 15% 13% NVCMI 80 . 6.6 9-6 NuvCer 67n - 6.5 85 OHM Co 2 Oakind 63 Oakind .08 25 Occape 2.50 25 12 24 12 ONP pt 2.04 25 12 24 12 ONP ptG2_27 95 13 86 12 ONP ptG8 48 33 OttoGE 2.48 57 37 Parien

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75½ 89 Phe ptC 7
101 94 Phe ptC4.40
75½ 89 Phe ptC 7
101 94 Phe ptC1.41
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26 1868 u40 \(\frac{1}{2} \) 46 \(\frac{1}{2} \) 47 \(\frac{1}{2} \) 18 \(\frac{1}{2} \)

Continued from previous Page NYSE COMPOSITE PRICES

3 | Sperce | 13;
4 | Sprague | 254
20 | Sprague | 254
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40 | Separo | 23;
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45 284 Trevter 2.40 175 115 Tredge n.24 264 194 TriCon 2.39e 624 384 Tribune .66

46 21 Trinty 80 30 21 Trinova 68 16 6 Trinova 68 16 95 TritonQ 18 95 TritonQ 100 25 18 Trito pt 2

14% 9% Turk n .63e 21% 30% TwinDo 90 80 38% Tycolb 32 4 3% Tyter n

294 117 UAL CP

28% 20% UDC of 3.75 27 4 13 4 UDC 2 25 4 19 4 UDC pl 3 62

20 17 UG 1 1.18 283 134 UJB Fe1 18

17. 6 22½ 22½ 22½
13 3 161 16½ 15 15½ + ½
18. 22 20½ 20½ 20½
6.6 11 130 17½ 17½ 17½ 17½ 1½
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174 4½ 4½ 4½ 15
174 4½ 4½ 4½ 15

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24 | 12 Unios 6 | 1
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24 | 16 | USS 700 | 52
47 | 19 | USS 700 | 52
47 | 19 | USS 700 | 52
47 | 19 | Union 6 | 1
26 | 48 | Union 6 | 1
27 | 13 | Union 6 | 1
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29 | Union 6 | 1
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1314 2313 Unocat a .70
4315 2915 Uppoint 1
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914 7 1 USROF 62
3214 1814 UppiCo 1 44
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38 3 30 k WatgE a 23 k 17 k Watgc 1.89e 20 k 21 k Watgc pt2.20a

2012 812 Witch(3 .19 441, 271, William 1.40

574 384 Wrigley .86 141: 74 Wyloth .28 274 18 Wynns .50

275 18% XTRA pri.94

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NASDAQ NATIONAL MARKET

1.32 6 1674 214 2051 84 205 849 36 165 10% DF Sau .05e
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DR 56 15-16 13-16 15-16

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5 0036 26-5 24-5 25-6 -1 1-5

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10 36 1849-69 47 1-49 -12

3.1 11 3497 58-5 36-5 36-5 36-6 3-5

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2.6 16 170 13-5 413 13 - 1-5

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2.0 12 231 15-6 15-6 15-6 28-7

2.1 18 x1035 32-6 31-7 32-7

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13 41-4 41-4 41-4 41-4

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16 41-4 41-4

4 81-3 81-85+5 KLA
Kamen 44
Kerchr e 28
Kesler 10
Kaydon 40
Koczan
KelySA 56
KyCnLI 40
KyMed e
KeyCen 83
KoyTrr
Klinetel 50
KodrLr
Kinetel 106
Kinetel 10 ### 1527 13% 12% 12% 12% 16 1078 11 10% 11 + % 1.01 Cp

\$47 2% 1% 1% 1% 2

\$4 302 43% 42% 43

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The reality of global localisation

A COUPLE of years ago Mr Akio Morita, the pace-setting head of Sony and latterday trade ambassador for Japan, generated considerable attention by attaching the label of "global localisation" to the process which his company and other leading Japanese corporations were beginning to initiate throughout their

organisations. By distributing to major markets around the world key activities which had until now been carried out by headquar ters – notably research. design, development and engineering - it was argued tha Sony, Honda, Sharp, Nissan and others were setting out to become real "insiders" in the US and Europe. By becoming better local citizens, they would also be able to harness the skills and resources of

those regions for their gain. The process has continued to gain momentum since Mr Morita's declaration, but the old master's own company has now become decidedly wary about allowing outsiders to

observe it in any depth. The reasons are not hard to find. For a start, concrete progress at Sony is taking time; the responsibilities of several engineering groups have been transferred from Tokyo to the US and Europe. but the numbers involved are still small. (The main exception is in professional broadcasting equipment, which has been organised on the "global localisation" principle for many years.)

Internal strains

More significant, the shift is proving even more tricky than Sony expected, creating internal strains which the company has no wish to advertise. Similar reticence afflicted several European and US multinationals a decade or more ago when they were in an equivalent phase of transition.

The difficulty of making an organisational shift from headquarters-dominated multinational to flexible "transnational" (in the jargon popularised by Professors Bartlett and Ghoshal, respectively of Harvard and Insead business schools), is underlined by the latest book from Japan's leading management expert, Mr Kenichi Ohmae, who heads McKinsey's consultancy operation in Japan.

In The Borderless World, Mr Ohmae outlines five stages by which companies move towards "a genuinely global mode of operation."

. The first two are merely preparatory. In stage three which many Japanese companies are now reaching - a corporation starts to carry out its own manufacturing as well as marketing and sales, in major foreign markets. In stage four it moves to an "insider position," by also doing local research, design, development and engineering.

Getting to stage five, however, requires a much greater leap. Instead of just replicating, in a new environment, the systems and operational approaches that have worked so well at home. Mr Ohmae says that companies must "denationalise" operations and create a really international system of values shared by their managers around the world.

Daunting difficulty

As Mr Ohmae admits, few companies - of any nationality - have yet learned to operate entirely like this.

What the author does not spell out is the difficulty in related fields. Such specialiswhich any Japanese company will have not only in "decomposing" its headquarters to regional centres, but in denationalising its operations and its values in favour of country-neutral ones.

Nor does he really get to grips with the daunting difficulty of shifting to a fullyfledged stage four, in which local development and engineering is not done merely for local, more regional markets, but for global ones.

Few Japanese companies. and only a handful of Americans, have yet achieved stage four completely. Yet until they do so, they will be unable to generate the organisational learning needed for them to move to stage five.

"In the meantime, be they Sony or IBM, they will be all too easily tempted by the political rewards of "insider" status to substitute the rhetoric of "global localisation" for the full reality.

(Collins), \$21.95.

Published by Harper Business

Christopher Lorenz

"IT IS absolutely crucial to be credible," argues Mr Leszek Balcerowicz, Deputy Prime Minister and Finance Minister

of Poland, by now more than six months into the shock programme of which he is the chief architect. "This is why we are going to make every effort to persist, despite all the political pressures upon us. When I look at myself and my colleagues, I can say we are fully aware of the dangers: the gains from giving in would be short run; the losses would be very, very serious. This is why we are going to remain credi-ble, despite the pressures. The stakes are too big."

Mr Balcerowicz first burst upon the world's awareness at the annual meetings of the International Monetary Fund and World Bank in September 1989. The appearance of the communist world's first non-communist government, under Solidarity's Tadeusz Mazowiecki, had been astounding enough. But what Mr Balcerowicz, confirmed as Finance Minister of Poland just two weeks before, had to say electrified the assembled worthies

of the world economy. He announced the new government's intention "to transform the Polish economy into a market economy, with the ownership structure changing in the direction of that found in the advanced industrial economies." A fast-talking, intense academic, his dry manner belied the startling nature of his matter. For Mr Balcerowicz was announcing a transformation more economically difficult and politically significant than any since the end of the

Second World War. Almost 10 months have passed since those still early days in what was to become the Autumn of Revolutions. The world has been amazed by the political events elsewhere in eastern Europe. But no eastern European country except for the very special case of East Germany - has attempted economic stabilisation and reform with the remarkable single-mindedness of the Poles.

"We have to move quickly and we intend to do so," said Mr Balcerowicz last September. He kept his word. A comprehensive stabilisation and price liberalisation programme was agreed with the International Monetary Fund by the end of 1989, to come into effect in January. So how does the architect of the programme, one whose fate is watched closely even in Moscow, assess its successes, its failures and the steps that still lie ahead?

The stabilisation programme had two goals. Mr Balcerowicz points out. "The first one was halting inflation, since the annual rate of inflation in the second half of last year was about 2,000 per cent." But there was a second goal. This was "to turn an economy of shortages into a normal economy." It was partly because of the

MONDAY INTERVIEW

Architect of a new economy

Leszek Balcerowicz, Poland's Minister of Finance, speaks to **Martin Wolf**

that "corrective inflation" was necessary. "We had to increase the prices of basic inputs, like energy, coal and also foreign exchange. We unified the exchange rate, stabilised the rate of exchange and intro-

duced residents' convertibility. "That is why the inflation rate in January was very high. 78 per cent, on the official price index, higher than we expected. But then there was a declining trend: 24 per cent in February, 4.7 per cent in March, then April was up to 8 per cent, but in May it was below 4 per cent and our forecast for June is about 3 per

PERSONAL FILE

1947 Born in Lipno. Graduated from the Main School of Planning and Statistics - Foreign Trade Department. 1970 Researcher in Main

School. 1972-74 Studied economics in US. Doctorate in economics from Warsaw. 1978-81 Creator and head of

team of economists who worked on social economic reform project. 1981-82 Vice-chairman Polish Economic Society.

1980-81 Economic adviser to Solidarity. 1981- Co-ordinator of European Economic Association in Poland. Author of 50 scientific publications. Visiting professor in UK, Sweden, India. Hungary, West Germany.

1989 Deputy Prime Minster

and Minister of Finance. cent. The trend is right." The need for subsequent changes in relative prices, he argues, explains why Poland has not yet achieved complete stabilisation. "We had to

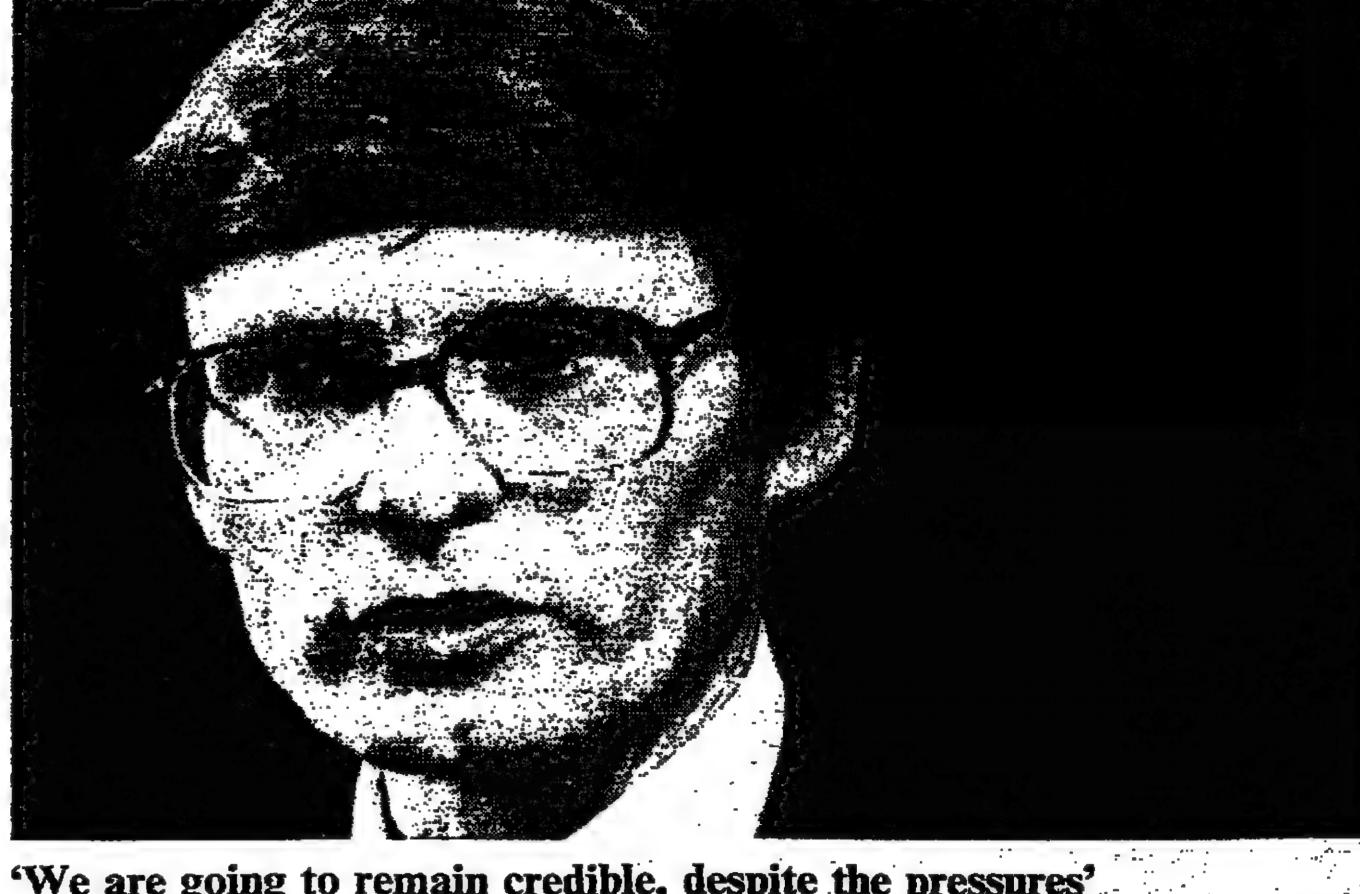
importance of the second goal task of achieving complete price stabilisation." Yet, "I am reasonably satisfied with achievement of the first goal."

> He is no less satisfied with progress towards the second. Poland is, indeed, no longer a country of shortages, as anyone who travels from Moscow to Warsaw will quickly discover. This achievement is, he admits, largely the result of the recession. But "one could not expect it otherwise, given the very short time in which the transition happened, in a month or two."

So does Mr Balcerowicz look on his work and see that it is good? Only up to a point. He recognises there have been three costs. The first is unemployment. "But unemployment was to be expected and the magnitude is not dramatic, between 3 and 4 per cent of the labour force. The second cost is the drop in real wages and other incomes. This was deeper than we expected," though, to an extent, the drop was a reversal of the unsustainable real wage growth of the previous two years. But the third and most important cost is the decline in production. In the first five months of 1990 the drop in production in the state sector was 30 per cent, according to official data.

"The main reason for such a serious reduction in output is the way state enterprises reacted to both the stabilisation programme and the rise in the prices of their inputs. They reacted as if they did not believe that the tough macroeconomic policies would hold. So they applied traditional cost-plus prices" and allowed output to adapt to demand.

This torpor has since started to change, claims the minister. but slowly. "Some enterprises have started to look for new markets (which is why we have a better than expected sitchange prices - for example, uation in foreign trade); some railway and telecommunicahave started to look at their tion tariffs - which could not costs. Some of them have even started to calculate how much jump. This complicated our their energy bill is, a thing



'We are going to remain credible, despite the pressures'

many of them never considered before, because it was so

The fundamental question now is political. Will the Government be allowed to persist with its policies? There is much criticism, he notes, in Parliament, among economists (who do not matter so much. he says, since they do not vote) and workers. Yet "when parliament comes to vote on the major proposals we have not had any major difficulty." Similarly, workers have accepted the closure of uneconomic

But can the huge cut in real wages really be maintained? Is the incomes policy not too harsh? The Minister insists that such a policy is inescapable in an economy without the countervailing force of private owners. The question is not whether there should be an incomes policy but what sort of

"Since inflation was very high, and our major goal was to halt inflation, the policy had to be very tough." In future, "enterprises that are privatised might be released from wage controls. For enterprises that are not yet privatised I foresee

a milder form of wage control, depending on the situation in the economy.

Much depends then on the next vital stage of the programme - privatisation. How does the Minister react to criticism that the pace of privatisation has been far too slow? Here he distinguishes two issues: the pace of privatisation and the methods, the first being linked to the second. On the speed, he now recog-

nises that one has to choose between the risks of going too slowly and the risks of going too fast. In his opinion, the latter risk should be accepted. So he is thinking of "privatising quite a considerable share of the Polish economy within a couple of years."

The Government is looking at three techniques for speeding up privatisation of large enterprises. "The first would be to issue bonds or coupons that would entitle the holder to buy shares. The second would be to distribute shares of a chosen group of enterprises among the citizens. The third one would be to distribute shares in mutual funds. We are work-

ing on the logistics,"

explains, "before we commit

JOTTER PAD

ourselves to one of these three alternatives."

The Minister complains that there is undue concentration on this method of privatisation, turning large state enterprises into public companies and then distributing their shares. There is a second. which consists of selling or leasing the assets of small state enterprises to private people, including their employees. He wants to speed up privatisation on both fronts.

But surely there is a great deal of pressure for workers" ownership. What role does he see for that? This notion gains a frosty response. "Our priyatisation method must," he insists, "not lead to an economy which is very different from the one we know from the

None the less, "new companies can be set up as producer co-operatives. Moreover, in selling or leasing assets of smaller enterprises to private people, some preferences will be given to the workers. "Finally, up to 20 per cent of the shares in bigger companies can be sold at a preferential rate to workers, but the value of those preferences should not exceed the annual wage bill. since larger preferences could create extreme inequality. And what is the role of for-

eign owners? "Under the proposed regulation on privatisation, buying up to 10 per cent of a given company does not require any permission. Above the 10 per cent there would need to be approval." A problem is asset stripping. "If we adopt a fast pace of privatisation, we would expect low share prices because of the low - savings of the population. Should foreign companies be allowed to buy shares at these low prices, or should we adopt a different approach?" Some countries, : like. Sweden tand Thailand, have dual markets. he notes. The Polish Govern-

The Minister is left grappling with the intricacies of the most ambitious privatisation programme ever attempted - and that hard on the heels of one of the more dramatic stabilisation programmes. One is awed by his determination. That determination is a necessary condition for ultimate success: whether it will prove sufficient is another matter.

ment appears likely to follow

them.

In search of parity of esteem for pupils

have been done in just one

By Michael Prowse t is time John MacGregor,

Britain's Education Secretary, advanced from his shell Somebody has to address chronic shortcomings in the education system for 16-19 year olds. Consider: Only a third of Britain's

16-19 year olds are in full-time education. A drop out rate of about 65 per cent would be unthinkable in most competitor countries, including South Korea. The academic/vocational

divide remains as deep and cor-

rosive as ever. Teachers, employers, parents and pupils still regard technical and practical studies as inferior something for those who cannot grasp abstract concepts. • The minority who stay on after the age of 16 receive an abnormally narrow and hence second-rate education. Most 18 year olds offer only two or three subjects for examination at Advanced (A) level, usually

ation would seem absurd abroad. High youth wages ensure that the labour market exerts a strong and unhealthy pull on 16 year olds, especially in low skill sectors such as retailing. Little high quality training is

available. Skill levels have always been an important determinant of economic growth. But the relative importance of education is growing. This is because labour is immobile while other factors of production such as technology and financial capital now flow freely between

nations. Changes in the pature of work are also causing a ratcheting up of skill requirements within industry. When this last happened, in the early years of this century, the response was a big extension of secondary education. A similar educational leap forward is required

today_ There are equally strong social arguments for higher educational investment. Education liberates individuals: it is the best (often the only) way to



Michael Prowse on Education

class, race and religion. The importance of cutting the 65 per cent drop out rate can thus hardly be exaggerated. Yet what has the Government done to improve post-16 opportunities? It has introduced the Advanced Supple-mentary (AS) exam; and it is lamely exhorting employers to offer more training.

A weaker response is scarcely imaginable. Consider the AS exam. It is designed to take half as long as an A level to complete but to be equally demanding. If you cannot pass an A level, you will not be able to pass an AS exam. The new qualification thus does nothing to widen educational opportunities. This matters when only 14 per cent of the population pass two or more A levels.

In practice, the AS exam has not even significantly broadened the curriculum for bright students. This is because most schools find it virtually impossible to timetable both AS and A levels in the same subjects. In any case the historical prestige of A levels makes them the preferred choice for most students and parents. The upshot is that the AS exam is largely ignored.

The training outlook is equally unpromising. In the absence of the right traditions and institutions (such as powerful chambers of commerce), it is highly improbable that many UK employers will emulate their German counterparts and provide high-grade apprenticeships. In any case the vocational qualifications being accredited in the UK are typically narrower and less demanding than those on the

Continent. So what reforms are needed? break down the barriers of As a short-run palliative, Mr September.

. I not the second of the seco

MacGregor could abolish A levels and announce that five or six AS levels should be the standard qualification for higher education. If he additionally stipulated that all students should take AS maths and English, he would have gone some way towards creating a broad and balanced aca-

But such a measure would only scrape the surface of Britain's problems. It would do nothing for the 75 per cent of the age group for whom A level type exams are inappropriate. It would not end the academic/vocational divide. And it would not reduce the attractions of the youth labour market.

demic sixth form curriculum.

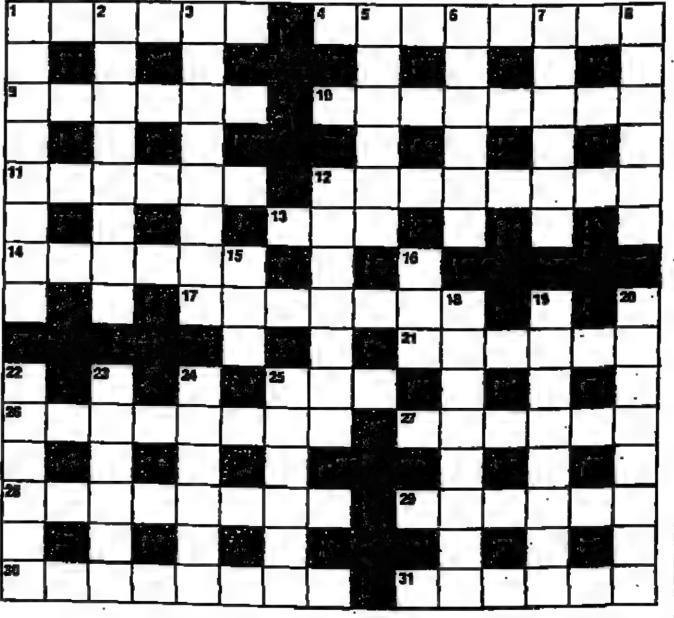
A much more ambitious restructuring of 16-19 education is required. Mr MacGregor's goal should be to create a qualification that provides a natural progression from the National Curriculum for 5-16 year olds. It should include a variety of academic, practical and work or community based courses. Its aim should not be to make everybody do the same things (that would be absurd), but to ensure that different types of student enjoy parity of esteem and that learning opportunities exist for the whole spectrum of abilities

and tastes. As the Institute for Public Policy Research recently argued, such a reform of the exam system would need to be backed by vigorous measures to reduce the attractions of youth employment. The first step could be a legislative requirement for study day

A 65 per cent school drop out rate is a terrible economic and social handicap. Overseas experience shows that it is also wholly unnecessary. But until Mr MacGregor recognises an elementary truth - that education must be tailored to the needs of the average pupil post-16 study in the UK will remain a deviant form of youth behaviour.

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20 An occasion of exemplary significance (8) 22 Name one dreadfully blase female (6) 23 It comes to the fore in the boot and shoe industry (6)

24 What the champagne did

when little Florence got married? (6) 25 It enables a writer to get rid of unwanted characters (6) The solution to last Saturday's prize pazzle will be published with names of winners on Sat-

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FINANCIAL AND PROFESSIONAL SERVICES

THE NORTH-WEST

SECTION III

Monday July 16 1990



Though financial and professional services should be feeling the draught of economic downturn, there are

few signs of trouble in north-west England, where professionals are building a formidable industry among privately-owned businesses,

as Ian Hamilton Fazey reports

Advice on the doorstep

CLUE as to why north-west England's financial and professional services sector appears to be doing well at a time when its London counterpart is suffering from economic downturn comes from a single sta-

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It is the number of privately-owned companies being pursued by the 15-strong corporate. finance team of Henry Cooke, the Manchester-based stockbroking and financial services group. Mr David Adams, the managing director, says there are about 2,000 of them on Henry Cooke's list.

These are not Colorolls or Coats Viyellas or other such examples of corporate doom or glory. Each year, most of them turn over about £10m, plus or minus £5m, while pretax profits are typically in the film to

Some want capital for organic growth, some want to buy similarly-sized businesses, some want to offer themselves for sale, a small few want to go public, while many do not know what they want but are looking for help in finding out.

All of the other financial services professionals in the region - whether in stockbroking, accountancy, commer-

cial law, insurance, banking and venture and development capital - have similar lists to Cooke's. There is some overlap, but their market clearly runs into thousands of potential corporate customers.

To London professionals such potential clients are too small to service, yet increasing numbers of them are looking for professional help. Since London can offer them little and at a junior level of adviser and a lot of cost - the new regional professionals are finding a ready market.

Often the type of service on offer is not easily defined. An example in Manchester is Rickitt Mitchell, which functions as a financial services jobbing house. Yet eight people are currently generating about £1.25m in fees each year.

The business adapts the services it offers to the market of the moment: when the climate was right for management buyouts, these were its forte: demand continues strongly for advice on getting development or venture capital, so it gives it, as well as introductions to a local fund it backs with Schroder Ventures; at present it is also doing well out of private company sales.

However, another side to its business illustrates an important general point. Rickitt Mitchell has developed a profitable line in publishing com-pany offer documents and cir-culars to shareholders because it can do them at a fraction of the cost of using London professionals.

Mr Peter Rickitt estimates that with lower office over-beads and immediate access to a local network of all the professionals who might be needed, the north-west can be two-thirds cheaper than Lon-

Mr Paul Lee, of Addleshaw Sons & Latham, Manchester's largest commercial law firm, says: "There is an increasing fall-out of people and work from London. Moreover, clients are getting used to delivery on the doorstep and not having to put up with the hassle of getting to the City." According to Mr Peter

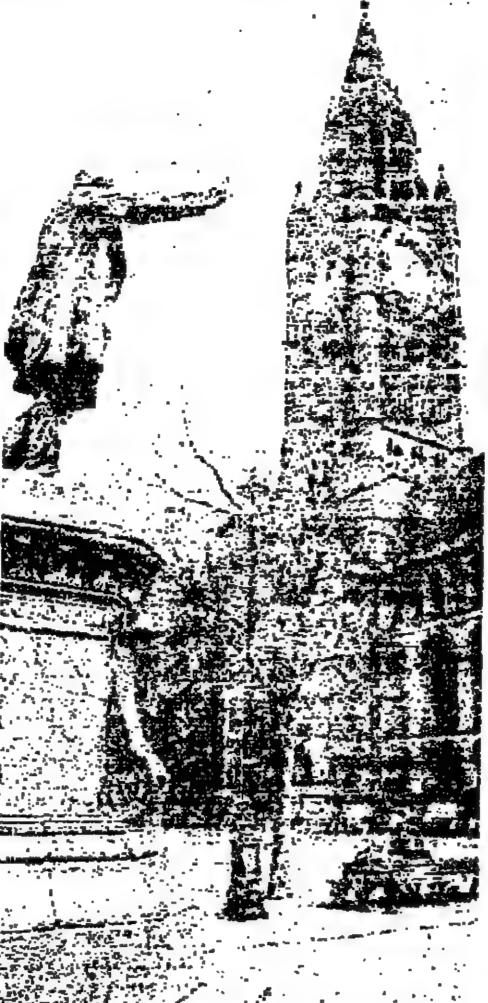
Folkman, of North of England Ventures, "the growth of finan-cial services outside London is about import substitution. The region used to have to import the expertise it needed. Now there is a highly competitive. cheaper local supply with much better local knowledge." Mr Mike Davis now runs

Ernst & Young's corporate finance advisory team in Manchester, but has a national claim to fame from 10 years ago, when he moved from i,ondon to develop the first small business unit within a large accountancy firm - Arthur Young, at the time - an idea which was soon copied by most competitors.

He also chairs the board of Manchester's Enterprise Agency and has therefore learned about the dynamics of growing businesses at first "Ten years ago many deals

we do today could not have happened because the mechanisms were not there," he says. "Two factors make it happen putting expertise and finance together. If you can do it on your doorstep, it will happen or you can make it

"We have been able to prove to the businessman that it is in his interest to get the deal done locally. We can take him round to see everyone he needs within a few hours because we





The Victorian grandeur of Manchester Town Hall contrasts sherply with the mushrooming of new buildings among the old in the city's financial district just a few hundred yards away

are all within walking distance of each other. The more we all do, the more we will do. We have discovered mechanisms just by doing things which have then made deals more successful in the future." Three trends appear to be

keeping things buoyant. First, management buyouts are continuing in the regions. Many are divestments of peripheral businesses by large groups. Since most are well under £10m, they do not figure in London-compiled "national" statistics which look only at

deals above that threshold. A second trend is cross-border interest from all over the world in buying regionallybased companies with growth potential. Regional offices of large firms of accountants win both ways here through combining local knowledge with their own international networks to offer businesses for

sale widely. Finally, many founding entrepreneurs now in their 50s want to reduce involvement and pass on businesses to the next generation of manage-

ment. This is fuelling many different types of transaction. including buyouts, buy-ins, mergers and sales. For the regional market in

professional services, size is the determining factor, but even well-capitalised businesses worth tens of millions of pounds have not been big enough to get the level of personal attention that they want at senior levels in London. This begs another question: in the past, did the smaller companies go to London for help at all?

Probably not. Mr Davis says that their auditor was usually the first and only independent adviser they used. "Our great-est competition in professional and financial services for medium-sized and smaller companies remains the do-it-yoursel-fer," he says.

The choice, however, is now not only wide but is among an enlarging group of professionals who have proved themselves. The economic significance is that they have almost always done better for their clients than the clients could have done themselves, which means generally that they have added value to the region's stock of businesses.

"In a region which has such a large stock of private busi-nesses, there is always some sort of transaction to be done, whether things are going well or badly," says Mr Adams of Henry Cooke.

Mr Davis says another factor is that the banks have become better at highlighting problems earlier, so that sales, management buyouts or reconstructions can take place before it becomes too late and a company is forced into receivership.

This, in turn, has meant that centrally generated national panic among the clearing banks at worsening economic indicators and falling property values in the south has not, as 10 years ago, been automatically translated into northern closures as overdrafts everywhere have been squeezed.

In spite of a 10 per cent year-on-year drop in job advertisements in the Man-chester Evening News total volume of advertising is holding up, says Mr Michael Unger, the editor. Most believe this means that companies are keeping staff numbers down while still trading vigorously as they wait and see which way the national economy is going to turn.

Whatever happens, businesses now have access to advice and help as never before. Because the market is a local one and not a niche in which London professionals are dabbling from afar, all the advisers have a stake. Mutual self-interest could therefore be a powerful ally in protecting the regional economy.



international and merchant banking. (Above) Victor Blank, chief executive of Charterhouse; (below) NatWest is the



great and small Marketing: bottom line preferred to shop-front4 **# Lawyers:** fusion is strength

Stockbroking: survivors of

the shake-out5

Management consultants: picking the right helpmate M Promoting the finance industry: forum raises profile. (Below) Peter Folkman, of



Editoriel production Gabriel Bowman

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IX.

IT IS a symptom of rapidly developing maturity that north-west England's venture capitalists can still claim'to be doing well in spite of the changing pattern of the British economy. The sector has grown up enough to believe it can adapt and survive, and

that must be some sort of suc-

Five years ago, venture capital looked a much sounder business to be in than now; the .. economy was on the up and so was the stock market, providing an obvious exit route flotation - for venture capitalists to realise their investments in young, thrusting companies.

But five years ago the industry was concentrated in London. Most of the regional sources of funds in the accompanying table did not even exist. Players in the northwest's emergent regional industry included the omnipresent and still dominant 3i, with Lancashire Enterprises. Rainford Venture Capital and

- through Lazards, its parent - the Development Capital - Group all trying to make an modest North West

"2! Fund was also a met in a state of transi-.... ..om its origins in the British Technology Group. which had itself evolved from the old National Enterprise Board.

Shortage of venture capital in the regions was compounded by lack of local structure. Ironically, northern savings were being invested in London funds by pension managers who had nowhere else to turn for onward investment in southern ventures.

The fact that there are now at least 12 regionally-based or regionally aware funds in the north-west shows how the gap has been filled. Similar pressures have forced the growth of a not-dissimilar structure in Yorkshire and Humberside.

Changing national economic conditions are now putting these structures to the test. "We are still being offered a

lan Hamilton Fazey, Northern Correspondent, on the prospects for the region's venture capitalists

Smaller buyouts are still in fashion

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NATIONAL WITH REGIONAL INTEREST				
British Coal Enterprise	A Hewitt	0773 531 313		
British Steel (Industry)	V Smith	0742 700 933		

lot of deals, so I don't think the at sub-£10m levels, while world has stopped, but the pat- national activity at larger valtern is changing," says Mr Peter Folkman, who left 3i last year to set up North of England Venture Managers in

Manchester. "The banks are panicking over the debts of some of their corporate clients and pulling in their horns. We are getting back to people being forced to

sell their businesses. He says that, although the boom in big management buyouts - when large conglomerates or groups were willing to sell to the managers who ran subsidiaries so as to spread the groups' risks – is over, the smaller buyouts are still there.

"Most are now mainly distress sales. We are going back to the type of buyout we saw in the 1979-82 period, when the managements were certain they could do better than the owners and save the business." Mr Folkman says.

This helps explain why management buyouts still take place in the north of England

ues has all but dried up. Moreover, the smaller sums involved are within the compass of generally more modestly endowed regional venture capital funds, which means that good deals can obtain equity backing from them at a time when the banks are reluctant to lend.

Mr Peter Rickitt, of Rickitt Mitchell, the Manchester corporate finance boutique, says that there has been a marked change in the last six months. "Wherever we turn, we are finding pre-receiverships. We expect to see a lot more before times get better. We are helping a lot of owners to sell their

selling - so as to avoid the UK's impending rise in capital gains tax to a rate of 50 per Mr Rickitt says that while

Successful owners are also

many sales are for cash to foreign companies wanting a pre1992 toehold in Britain, managements or indigenous buyers needing venture capital backing can now get it easily if the business is a good one or has better prospects if its ownership or management changes.

Structure is again proving important: Rickitt Mitchell is joint backer with Schroder Ventures of Mr Folkman's fund, so his clients do not have to go cold-calling for money, an important advantage over "unknown" supplicants.

Mr Bill Hopkins is chairman of the March Consulting Group, which has a venture capital kitty backed by £20m from British Gas's pension fund. Like Mr Folkman's, it can operate nationally but tends to deal principally in the north-west and north.

"There is a dearth of bigger deals to be done," he says. Those in the £4m to £6m range don't seem to be bubbling at the moment, but there's plenty going on at lower lev-

March invests at a rate of around £5m a year, spread over about 10 deals. "Opportunities are arising out of disaster areas," Mr Hopkins says. "A lot of people are coming to us with property-related situations. The clearers have been told not to touch anything to do with property, so a lot of people are running scared."

The biggest players in the region, however, are 3i and County NatWest Ventures. An indication of relative buoyancy in their market is that County, equipped now with greater local decision-making powers since the merchant bank's calamities of last year, has increased its Manchester venture capital team to six executives.

County's minimum invest-

ment is £500,000. Mr John Moran, director of the Manchester operations, says that the increasingly strong local structure is enabling big deals to syndicated in the region, further strengthening the self-sufficiency.

Recent typical deals have included a management buy-in at Babcock Gears and Wires now renamed B & F Carter in Bolton, the £3.2m management buyout of Wickland Westcott, a human relations consultancy in Wilmslow, and the £7m buyout of Metrotect, a

central role in the deal, so the region was able to demonstrate its ability to fend for itself and pass deals on. Meanwhile, Development

Capital Group is planning to expand money available in the region. In the mid-1980s it started to develop five regional funds by investing half of their money in small quoted companies in each region - to pro-

pipeline coatings company in Cleckheaton, West Yorkshire.

cated by 31 and the Manchester

office of Ernst & Young played

Indeed, the latter was syndi-

vide liquidity - while putting the rest into unquoted busi-

Today, its north-west unquoted investments are vaiued at 17m, as against 12.2m of shares in quoted companies. Its North West Unit Trust, designed to give local authority pension funds a vehicle for local venture capitalism, is valued at £4m and giving its investors a return of 25 per

Against this optimism must be set the loss of the Merseyside Enterprise Board and

Greater Manchester Economic Development, both of them inspired by their eponymous but now abolished metropolitan county councils

They were designed to redress the former imbalance of British venture capital towards the south-east, but recently failed to obtain the unanimous support needed to continue from the 15, often squabbling, district councils which now run the two conur-

bations. Lancashire Enterprises. which recently privatised itself successfully from its unitary and more single-minded county council, presents a telling contrast. But since the private sector seems to have created a stable venture capital industry in the region to correct the old skew to London, does their demise really matter?

Martin Regan looks at the retail scene

More banks than brass

AS RETAIL banking in the UK has become more standardised. regional characteristics have been obliterated. However, in the north-west, traces of the old banking networks remain. This is reflected both in the market dominance of National

Westminster Bank and Barclays Bank and in the disproportionate strength of the Royal Bank of Scotland and the Trustee Savings Bank.

The NatWest owes much of its regional strength to the old District Bank of Manchester, while Liverpool's Martins' Bank, bought by the Bank of Liverpool and the Lancashire and Yorkshire Bank for its clearing facilities, was gobbled up by Barclays in the late 1960s to form the basis of its north-west network.

A precise comparison of the banks' relative strength in the region is virtually impossible. In banking terms, the

north-west and its constituent parts have only a nodding acquaintance with real geo-

graphic boundaries. Barclays and NatWest have widely differing concepts of Greater Manchester, the Royal Bank of Scotland's northern region currently takes in Birmingham, while the Midland Bank's Manchester area

excludes Stockport. Over the past two years, the major banks have reorganised regionally, usually by slicing a tier off the administrative

cake. the case of Barclays and NatWest this has given considerable autonomy to north-west based regional directors. With the Midland and Lloyds banks, regional executive control has shifted from Manchester to Leeds. though area directors covering smaller parts of the region have been introduced.

Mr Edward McGonagle, Nat-West's Merseyside regional director, believes that the smaller self-contained regional units allow a more efficient response to changes in local customer demand.

"There is an increased speed of decision-making and decisions are better informed. I think you can overestimate local knowledge, but you can also underestimate it.

NatWest's Mersevside region, administered from Liverpool, has over 100 branches and employs 2,000. Barclays' Liverpool region, which takes in the Isle of Man. parts of North Wales and West Lancashire, has around 2,700staff and 150 branches.

Around Manchester Barclays and NatWest each have

roughly 140 branches. However, Barclays' region, extending into Cheshire and Lancashire, is much larger. NatWest covers most of Lancashire

through its Preston office.

Mr Kenneth Atkinson, Barclays Manchester director, admits that within his area NatWest has the market lead. "We are both relics from the old Manchester and Liverpool banks and it really is a twohorse race for market leader-

don't really worry about them," he says. The TSB's presence is difficult to evaluate. Its western region, based in Manchester, has around 450 branches, but this covers all of the north,

ship. The TSB is strong, but we

lands. The Royal Bank of Scotland also has a significant north-west operation, with over half of its English branches in the region. lts Manchester-based north-

Wales and parts of the Mid-

ern region extends from the Scottish border to Birmingham and has 231 branches, employing some 3,700 staff. This strong representation

follows its merger in 1985 with Williams and Glyn's, which contained the formidable northern branch network of Manchester's Williams Deacon's Bank.

Both the Midland Bank and Lloyds are smaller players, the former with around 120 branches, the latter with slightly fewer.

Others include National GiroBank at Bootle, with over 4,000 staff, and the tiny Manchester-based Co-operative Bank which has just nine of its 110 branches in the region.

Despite its size, the Co-on has 1.5m customer accounts and banks for 90 local authorities, giving it a 20 per cent

share of that market. The presence of banking support functions in the region is substantial. Barclays has a BarclayCard centre at Wavertree Technology Park, Liverpool, a data processing operation at Wythenshawe, Manchester and a huge information services and systems development division at Radbrooke Hall, Cheshire. Combined, these facilities employ a

further 3.500. The Midland Bank has a computer processing centre at Bootle, while the NatWest has a computer bureau at Salford The Co-op Bank has moved al. its back office operations to Skelmersdale, Lancashire. It is now the town's biggest. employer with a workforce of over 600.

Corporate and international finance facilities are concentrated in Manchester, though specialist units have been set up in Liverpool

In addition to their subsidizry merchant banks, Barclays, Lloyds, the Midland, NatWest and the Royal Bank of Scotland all have regional corporate or international finance sections in Manchester. The national sterling payments section of NatWest is also based

in the city. The feeling remains that the north-west is overbanked, at least in retail terms. In the major cities competition for customers is exceptionally keen and one result of regional reorganisation may well be a stern reappraisal of branch

INSURANCE

Roots in the region

THERE IS a strong sense of place about the insurance industry in the north-west. Nationally-known firms that have grown up in the region have retained a sentimental attachment to their birthplaces.

Take Royal Insurance, which is centred on Liverpool Its headquarters operations may be largely based in the south, but the company is proud of its local connections - it employs 4,000 people in the city, and says it has no plans to move its centre of operations.

In Manchester, the Co-operative Insurance Society, another national name, has also put down deep roots. The city is the home of the co-operative movement, it says, and it does not expect to move out unlike Refuge Assurance which left the Manchester city centre three years ago for

nearby Wilmslow. The CIS, founded in 1867, is located close to the Co-operative Bank, the Co-operative Wholesale Society and the Cooperative Retail Services - a proximity which it has no intention of breaking.

"It is an excellent place to be in terms of employment," says the Co-op, which employs 2,300 people in the city centre. "You can call on a very wide pool of people in the region, whether professionals or clerical staff." Refuge may have moved out of Manchester, but has put

down new roots in 19-acre of parkland outside Wilmslow. Equally rooted is Swinton, the nationwide chain of insurance brokers which pioneered selling motor insurance through branches. The name is from the Manchester suburb where, in 1957, its founder, Mr Ken Scowcroft, began his business. The company now employs 500 at its head office in Manchester.

Behind these apparently immovable connections, things have been changing fast in the insurance community - and nowhere more so than at Swinton. In May this year Sun Alli-ance, which has held a 30 per cent stake in the company for the past two years, took its holding to 49 per cent and declared an intention of taking full control in due course.

As a result, the independence of one of the region's best-known family companies could soon be over. The Sun's

purchase in May put a worth of £168m on the company, valuing the remaining 51 per cent of the shares owned by the family

Not that the move has come as a surprise to the Scowcroft family (son Brian and daughter Janet handle the day-to-day operations of the company. under the chairmanship of their father Ken). The decision to take in Sun met two objectives: the need for capital to grow rapidly into a national

chain and to forge a connection with a life company whose products could be sold to existing Swinton customers. Three years ago, the company said it intended to have 500 branches in the UK by 1990. It already has 670, and is now

The region's insurance companies are also changing.

sophistication of its customers.

aiming for 750.

a century and a quarter as a life assurer, it is extending its range in recognition of the more overt competition with banks and building societies, and the increasing

Its new product range includes unit trusts, pensions and mortgages. One thing that has not changed, though, is the way the Co-op makes contact with its customers. It retains its "home service" approach, mar-

keting through agents.
"We still feel that direct selling offers the greatest potential," the Co-op says. Some things may change but, seen from the Co-op's 1-- 14 in central Manch.

things will never change a. ..

Richard Waters



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Potential Made Possible

NORTH-WEST FINANCIAL & PROFESSIONAL SERVICES 3

Martin Regan reports on the significant growth of merchant and international banking in the region

An end to the Hicksville image as skills deepen

THE TRADITIONAL belief that provincial merchant banking is branch banking by another name is still held by many businessmen in the north-west. However, over the past few years the demands made on the region's merchant banking sector, based mainly in Manchester, bave become increasingly sophisticated.

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contested takeover of Picca-dilly Radio by the Miss World group, it was the Manchester office of Barclays de Zoete Wedd which handled Piccadilly's complex and hugely entertaining attempt to thwart entrepreneur Owen Oyston. Significantly, the quality of professional advice from

Manchester was seen to be every bit as good as anything from the City of London. If "coming of age" is too extravagant a phrase for this outcome, it should be noted that almost all Manchester's other financial professionals regularly cite it as a key example of the city's

professional clout. The breadth of merchant banking in Manchester and the growth of its main players have created its own momentum, but it has been the introduction of regional

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FINANCIAL SERVICES

our other services for international

re-organisation of the parent clearing banks which has done most to help lose the "Hicksville" image.

BZW, together with County NatWest and N M Rothschild dominate Sons. Manchester's merchant banking scene. Over the past few years they have increased staff levels and the range of services on offer.

All three now offer banking. corporate finance and development capital services – handled by local offices. Rothschild also runs a treasury service, funding its own loan book, while Hill Samuel is one of the few with a retail banking operation. At Rothschild, the number of employees has risen 25 per cent in the past two years. Mr Magnus Mowat, director

of BZW's Manchester office (opened six years ago) says the growth has been transactionled and has mainly occurred in the past two or three years. "There is a danger with

counting deals to measure growth, but in the last year or so we handled five flotations; in the previous five years we handled one," he says. He does not accept that providing the same level of



Victor Blank, Mancunian chief executive of Charterhouse

expertise as the City necessar. ily means providing the same service, arguing that distinct regional differences do exist.

"We tend to get involved at a much earlier stage. In the south-east, businesses put a plan on the desk and go from there. Here, we are often called out when there is just an idea." The boundaries separating

the advice function from transactions are clear, but the differences between development and venture finance are sufficiently vague for companies such as Investors in Industry to be regarded as an integral part of the region's merchant banking scene. With offices in both

Liverpool and Manchester, 3i is one of the main sources of expansion and development capital in the region. Over the past five years it has invested some £90m in north-west businesses, half of that in the last two years.

Earlier this year, 3i chose Manchester as the location for one of its four "large deal units" being set up in the provinces. This reflects the

capacity of locally-based investors and intermediaries to fund deals of £10m upwards. Mr Charles Richardson, bead of the Manchester office, says:
"We have got to the stage
where we can syndicate deals of £10m locally, but above that we probably need to go cisewhere."

Mr John Moran, director of County NatWest's Manchester office, does not regard this as a weakness.

"Why should it be, as we all know where to go for the money? The £250m funding for the Gateshead Metro Centre was handled out of Manchester. The important thing is to have the deal originated. All the merchant banks are linked up to a tremendous financial network and there is a lot of co-operation."

County, with a staff of 18, has been in the city since 1969. evolving from one of Manchester's oldest district banks. Mr Moran claims the prospects for growth in all the bank's activities have never been stronger. It is a confidence shared by

Mr Victor Blank, the Mancunlan chief executive of Charterhouse, a niche player in the north-west merchant banking scene - though with strong power base in Liverpool through brokers Charterhouse Tilney.

"Financial services go where the economy is buoyant. think people now recognise that for certain services it is much better to be at ground

Mr Moran says Manchester's financial base now has sufficient depth to support every merchant banking function, including new issues. He also believes the region's economy has the volume of expanding businesses to provide the workload. "The InterCity trains are

still full of people going down to London for advice. So the deals are certainly here," he "There is absolutely no need

with their home countries. here for businesses to look to London. We have advisory skills, broking skills and funding skills. Whichever way you look at it, there is a lot of talent in Manchester."

banks now approaching 30 tions upon which the city's

THE STRONG representation of foreign banks in Manchester has arisen from both historical and cultural factors. The legacy of two ports and a manu-facturing base fed by imported raw materials is an international finance infrastructure which can now be regarded as an economic asset.

Originally, this infrastruc-ture was weighted towards Asia, the Middle East and the Commonwealth; those areas which once supplied the materials for northern factories but it has now broadened with the arrival of European and south-east Asian banks.

Manchester's foreign banks provide a surprising diversity of services: from the international transactions in the knitwear sector, undertaken by the Equatorial Bank, to the large venture deals favoured by the

Not all foreign banks in the city are concerned solely with international services. Many, like the Bank Hapoalim, are there to chase northern business. The Hapoalim has seen the volume of business handled by its Manchester office rise by over 500 per cent since

Depending on how one compiles the figures, there are about 28 foreign-owned banks in Manchester. The figure sounds more impressive than it is. Anecdotal evidence suggests that total employment within the city's foreign banks does not exceed 350.

Many provide a retail service to the region's large ethnic population, while others are simply post boxes for London operations, taking advantage of lower overheads.

However, those which arrived on the back of expatriate communities have contributed greatly to the breadth of services available. The National Bank of Pakistan, the Bank of India and others, provide import and export documentation services for trade

Several banks offer the full range of international and trade finance services; these, when combined with the international divisions of the clearing banks, provide the founda-

role as a European provincial banking centre can be built. The Hong Kong and the Shanghai Banking Corpora-tion, which arrived in the city

Manchester count of foreign

15 years ago, is the largest such bank, employing over 80 staff. It has focused on provid-ing trade finance to UK corporates, particularly those involved in the textile trade. The Manchester office has

also built up its treasury ser-vices, notably foreign exchange deals. Most textile trade is conducted in US dollars and busi-International nesses need to hedge against The Japanese have also dollar exposure.

Over fibn a year of foreign exchange transactions are handled from Manchester, which now has its own treasury manager. There are also facilities for traded options and interest rate swaps, though arranging trade finance remains the staple business.

Mr Paul Leech, deputy manager, says regional representation is more than simply putting a branch in the provinces. "There are distinct differences between our Manchester and London offices. We have a relatively small number of clients which are relationship based. In London it is very much a transactionally based opera-

tion," he says. "I think the market in the

north is large enough to cater for more international banks and we are seeing greater interest in the city. Those who are not here are like moths around a light; eventually they will land."

Credit Lyonnais will be the next to land, opening an office later this month. The past three years have seen six new

Recent newcomers include the Hungarian International Bank, Deutsche Bank, Westpac General Finance and Svenska

established a toehold with the Sanwa Bank and the Fuji Bank both opening recently. The Sanwa has already provided revolving credit facilities for a £100m office development at Salford Quays and is thought to be ready partially to fund Manchester's Great Bridgewater Street initiative, which includes a new international concert hall for the Halle

Orchestra. In a sense, the Japanese, tightly controlled from London and with little autonomy, have taken over the role formerly carried out by US banks - two of which have recently pulled out of the city.

Despite the strong presence of the big European players such as Deutsche Bank, the

Banque Nationale de Paris and Algemene Bank Nederland there are still opportunities for the niche operators in the European marketplace.

The Hungarian International Bank opened its doors in 1988 and with a staff of just four has built up a range of commercial services. These include foreign exchange deals, commercial lending and documentary credit facilities.

Mr Peter Jamison, manager, says that although servicing Anglo-Hungarian trade is part of the business, it is only a minor part. The focus is on providing mainstream international banking services.

Svenska International is the latest arrival in the city. The bank is pitching for the busi-ness of the larger private and the smaller quoted UK companies. It sees itself as competing with the clearing banks.

Mr Tony Green, area manager, says Svenska examined the region in some detail before opening and concluded that along the M62, from Liverpool to Hull, there was a sufficient mass of businesses in the £10m-£25m turnover bracket to make the move worthwhile.

"There is a recognition that the UK is an important part of the European Community and that the north is a very important part of the UK," he says.



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of a Labour Government. The figures for 1989-90 show that all the big six firms managed to shrug off the effects of mega-mergers and keep up the rate of fee-growth they achieved throughout the previous half-decade - that is,

the economy and the prospect

The Blg Six have kept up their rate of fee-growth

somewhere between 20 and 49 per cent. The picture was gloomier for the medium-sized firms, but overall the picture was far from bleak.

Much of the growth for the firms as a whole must have been due to the performance of the thousands of accountants one of the most important geographical markets in the UK, where local businessmen and the local arms of multinational businesses are well served by accountancy firms of every shape and size.

Many of the Big Six international firms have been here for decades, and indeed the attractions of the region were felt as far back as 1904 when Price Waterhouse opened its first office outside London. in Liverpool, followed shortly afterwards by one in Manchester. National firms such as Spicer & Oppenheim and Grant Thornton - are well represented in the area and beneath them are a number of boutiques and

strictly regional firms. The rash of mergers over the

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David Waller finds that in accountancy the picture is far from bleak

All creatures great and small

slackening off in work over last year has created three recent months, conceding that firms with a staff of 600-700 in this could be because the the region, with Coopers & north-west's economy is not Lybrand Deloitte marginally suffering as badly as the ahead of the field with some south-east's. As elsewhere in 690 employees. KPMG Peat the UK, there has been a Marwick McLintock and Ernst discernible upturn in the & Young come not too far while Price amount of work being done by the firms' insolvency Waterhouse has some 350 people in Manchester and departments. As yet, this is not enough to suggest an Liverpool and Touche Ross imminent collapse in all the about 270. Arthur Andersen has about 130, eclipsed by other sorts of work that the firms do, but it is an ominous Spicers which employs some 310 while Grant Thornton has some 280 in the two big cities. Last week Spicer and Touche

Ross also announced plans to

merge in the UK. The new firm

- to be known simply as

Touche Ross - will displace Arthur Andersen as the UK's

fifth largest (and the

north-west's No 4) and will

start trading under its new

Mr John Jeffries, senior

regional partner of Coopers &

Lybrand Deloitte, provides

evidence of the resilience of

the region to economic

downturn: in the year to April,

fees for the region (which for

this newly merged firm takes

"People are hanging

fire before investing in

computer systems"

Mr Bill McLaughlin, deputy

senior partner for the region at Peat Marwick (which generated £26.6m in fees in the north-west for the year to September 1989), is marginally less sanguine. He has noted a flattening off in demand for consultancy work: "people are hanging fire before investing in new [computer] systems. The practice is simply not growing at the rate it was 12 months ago when we were drawing up out forward plans. This side of the practice has grown at more than 25 per cent

a year in recent years but

we're not going to make that

This he puts down to high interest rates, which he says have had no dampening effect on the other areas of firm's business: for example, corporate finance and tax consultancy.

There is much speculation in the region about the likely consequences of the Coopers Deloitte link-up - as there will be over the Spicer and Touche Ross alliance. Will this mean a shake-up of clients in the area? Will there be huge staff

say - but it comes as no surprise that the official line from Coopers Deloitte is that the merger is going far better than expected.

How can deal-makers and auditors function under the same roof?

Earlier in the year, four accountants defected from the corporate finance division of Spicer's Manchester offer to form the McInnes partnership, a boutique operation specialising in giving corporate finance advice to privatelyowned businesses in the

The firm takes the line that the demerger - effective from the beginning of February was driven by a "mutual recognition of the increasing conflict of interest and other constraints associated with operating corporate finance activities from within an accounting practice."

This is a highly unusual argument to hear from the entrepreneurial accountants who populate the UK's accountancy firms, but it is one that many outsiders including clients - would probably endorse. How can firms throw themselves into the rough-and-tumble world of corporate finance and preserve the independence required of auditors? Given that dealmakers are temperamentally different from auditors, how do they manage to function from under the same roof?

The defection of the four corporate financiers is a sort of "unbundling" exercise: there are bound to be more of these around the UK as entrepreneurial accountants find it difficult to operate in the traditional professional environment.

Advertising and PR success is not being flaunted. Robert Waterhouse investigates

Bottom line preferred to shop-front

ADVERTISING, PR. marketing and design are not industries normally accused of lying low. For its own reasons, Manchester and the north-west has cultivated a scene which prefers to net bottom-line business rather than open glossy shop-fronts. The soft sell can mean hard cash, but financial services organisations competing for regional and national exposure are beginning to show fitful frustration at the region's

inscrutable publicists. Historically, Manchester in offices in Liverpool. became a major advertising Manchester and Blackburn) went up by 32 per cent to centre, by far the biggest in the £33.3m while fees for the UK UK outside London, from firm as a whole rose by 28 per looking after retail and mail cent (to £531m). order. It was not renowned for creativity, nor did the boys from the Smoke who spotted easy killings on the fast line from Euston always settle in well. Manchester's latterday

Mr Jeffries says that there has been no significant moghuls - Bowden, Dyble & Hayes; J Walter Thompson; Stowe, Bowden, Wilson - all have national or international connections but come from strong local stock.

> The PR outfits most-often named, such companies as Staniforth Williams, Greenwood Tighe and City Press Services, tend to be even more strictly home-grown. They know their markets and stick with their clients, who tend to stick with them. It is very satisfying, unless you are a business bursting to make an impact in an area of increasing competition like, say, legal services.

> The problem is exaggerated by the region's press - or lack of it. Manchester is the only metropolis in Britain without its own morning business paper since The Guardian transferred its allegiance to London. North West Times, attempting to fill the void, did not survive its launch period of

autumn 1988. The Liverpool Daily Post's circulation is restricted mainly to Merseyside and North Wales. Advertising-led business monthlies are not widely regarded as much of a

substitute. Because of the absence in Manchester of a genuine financial press, there is also a dearth of hardened financial journalists, the City types who bolster London's financial PR agencies. Equally, because Manchester has little in the way of regional government or devolved government departments, there is no career structure for information and press officers in the public

services. Where Edinburgh has 29 journalists working in the Scottish Information Office. Belfast has 19 at the Northern Ireland Information Service and the Northern Ireland Office, and Cardiff 23 between the Welsh Office and the Welsh Development Agency, there are just five journalists in Manchester at the Central Office of Information, whose remit is to cover the whole north-west, including Cumbria. With a complement of 11. British Nuclear Fuels. headquartered in Warrington. is the major public sector employer of journalists in the

Comparisons with Scotland are telling. The north-west has a bigger population, more people in work and a larger share of the UK's GDP than the whole of Scotland. Manchester Airport handles 2m more passengers a year than Scotland's airports put together. The north-west's universities process more graduates. Yet the intellectual buzz is coming from north of the border.

Last year the Planning Exchange, development information specialists. branched out from their Glasgow head office to start a Manchester operation. Next January Insider Publications, proprietors of the successful Edinburgh monthly Scottish Business Insider, are set to launch a parallel publication in Manchester. Mr Alastair says that the company researched several English regions: Manchester and the north-west stood out as the area with high activity but low

Scottish Business Insider specialises in providing full details of the deals carried out by Scotland's financial community. The magazine's June issue lists 101 Scottish

> The intellectual buzz is coming from north of the border

deals completed during the first quarter of 1990 showing company name, type, price, advisers and investors. The majority of these took place in Scotland with Scots advisers and investors, though others were in England or further afield. This, according to some observers, is just the sort of information Manchester's community lacks.

Indeed, the Henry Cooke Group has taken steps to remedy matters by starting, in May 1990, a monthly newsletter for the north-west, the North Midlands and North Wales called Corporate Update. The idea is a follow-on from Yorkshire, Humberside and the north-east, where Cooke in association with the Yorkshire Post, started Corporate Undate in February. The newsletters provide short individual commentaries on recent deals.

Mr Nick Jaspan, Henry Cooke's marketing executive. feels that Manchester consistently undersells itself. In comparison with Leeds (where he is Cooke's representative on the Yorkshire and Humberside Financial Forum) Manchester has, he says, a far greater variety of activities - if only people knew about them. He also criticises a lack of enterprise among the city's support services such as specialist printing and

"Until recently I was being rung regularly each week by London firms, perhaps 70 or 80 calls in all, which were eager for our business and quoting very keen prices," Mr Jaspan says. "During the same period I had perhaps two or three approaches from Manchester companies.

audio-visual work.

As north-west professionals compete for business and staff. pushed into the marketplace by relaxed codes of practice, the question inevitably arises whether to employ PR consultants or handle the challenge in-house. Hiring consultants can be a painful experience. Mr Graham McInnes, principal of the McInnes Partnership. newly-established corporate finance advisers, has yet to discover a consultancy which will satisfy his advertising,

marketing and PR needs. "It's very important for us to reach the regional business community. But to sell our services, consultants really must understand what we do.

They must have breadth of vision. It's the one area of business where I am buying totally blind.

After flirting with Halliwell consultancies. Landau has just taken on its own marketing and PR executive in what Mr Geoffrey Schindler believes to be a first for Manchester law firms. Ms Tracey Gallagher worked for Deloitte before the merger with Coopers & Lybrand. Four years' experience of consultants, says Mr Schindler, "taught us enough to know we should be handling PR and

marketing in-house. "In our experience, consultants can't seem to get close enough to the organisation."

It is not a finding which you would expect Mr David Tattersall of City Press Services to endorse. City Press looks after a handful of bluechip clients, such as Refuge Assurance and Price Waterhouse in the north-west and the British Airways' Manch-

ancy, based above a printer in Chapel Street, Salford, epitomises a no-nonsense, wellinformed northern approach. Mr Tattersall believes that the region has proved resistant to big-name infiltration from London precisely because it is so dynamic and diverse. But he feels that PR opportunities in the north-west tend to be more restricted than other regions by continuing parochialism.

ester operation. The consult-

The Blackburn evening paper does not want to know about Preston, which itself turns away from Blackpool. Three evening newspapers operate within the Manchester conurbation. Fresh media outlets, a more newsy approach to "stories' and greater willingness on the

part of clients to treat public relations as a profession may yet release hidden talents, for example among the rump of talented journalists who in recent memory made Manchester Britain's second publishing centre.

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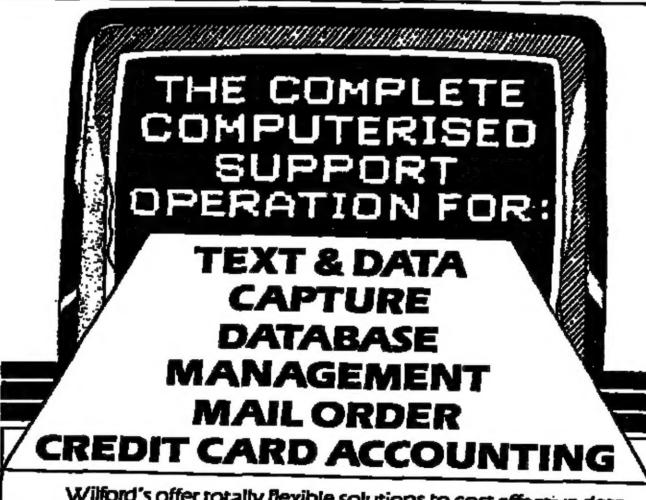
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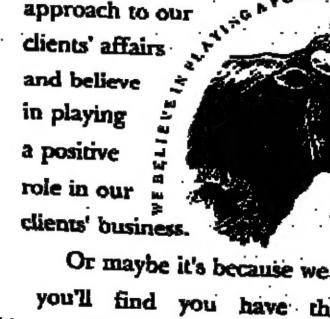
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NORTH-WEST FINANCIAL & PROFESSIONAL SERVICES 5

THE PEW significant brokers that populate the north-west of England ere likely to get fewer still in the near future. The Bang, the Crash and the Shake out have already taken their toll on the broking community there, as elsewhere in the UK, but more is to come. Continuing low volumes of business in the aftermath of the 1987 stock market crash

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have made it difficult for many firms to make ends meet. The result has been a series of takeovers and amalgamations. The only options are buy. sell or merge," says Mr Adrian

Evans, managing director of Benchmark, the company which owns Chariton Seal Schavieren, Manchester's number two firm. "All of us have talked to all the rest of us. Should we merge, take each other over, or what?"

For Charlton Seal, an answer to that question is imminent at the time of writing. Like so many others, this creation of the Big Bang era (when outsiders were allowed to buy

LAWYERS IN the north-west have succumbed to a bout of merger mania. It is not just size for size's sake, although there is some evidence that this obsession has caught hold in the legal profession in the same way as in the accountancy business a decade ago. Rather, the merger wave has been prompted by a belief that

there are too few strong commercial law firms in the region, and that companies will use law firms from elsewhere - if they do not already - if they are not offered a greater depth of talent on their

Competition from outside the north-west is coming, as always, mainly from London. although Leeds offers some challenges. London lawyers win work from companies in the region looking to the capital markets - a fact that is unlikely to change much, however talented the local lawyers,

tai markets. from the capital. Local firms put the cost of a local partner doing corporate work at £100-150 an hour, around half the charge for a partner in a large London firm. Differences like

given the presence of the capi-

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stockbrukers) now looks to have been the result of weak strategic thinking, unable to

withstand the downturn that has descended on the broking business. The broker, built out of Charlton Seal in Manchester and Schavieren of London, has ended up being squeezed in the middle, without either the low cost-base or substantial business volume it needs.

· An aborted attempt to get together with the National Investment Group earlier this year is likely to be followed soon by a move to another firm. Henry Cooke Lungden is the most frequently mooted partner, although neither side will confirm it.

HCL says simply that it is not planning to buy Charlton Seal - although, given the firm's financial position, Benchmark may have given up hope of selling it, it lost around £500,000 last year, and £100,000 in the six months to last December, on a cost base of around £4m a year. Given the flatness of stock market activ-

structure to process it."

Richard Waters reports on the region's stockbrokers

Last of the few get stronger

ity for much of this year, the year-end figures are unlikely to

Other brokers have already faced the buy, sell or merge question. They have found themselves stronger partners. merged or become part of national groupings. Only Henry Cooke Lumsden, based in Manchester, has managed to carry on largely as before.

Hand-in-hand with the mercers and takeovers has been a geographical expansion, as firms seek to grow their client lists. According to Mr David Adams, chief executive of HCL: "Everyone wants more people who can generate revenue. because they have the infra-

The merger route was cho-

sen by Rensburg of Liverpool, which got together with BWD of Huddersfield. Rensburg was purchased for £7.8m, although 85 per cent of this was in shares in the new group. The group, BWD Securities, became the first broker to float on the

Unlisted Securities Market.

"We floated because we

wanted to stay independent," says Mr Christopher Broadbent, joint managing director. "We foresaw a need for a stronger balance sheet." 55 per cent of the company is owned by its employees, while Yorkshire Building Society has just under 20 per cent and a spread of institutions and individuals

the rest. BWD has yet to to appear in Manchester, although Mr.

Broadbent says that could change soon. Not surprisingly, it is spoken of as a potential partner for Charlton Seal, should a deal with HCL not

Unlike some others, BWD has few ambitions in corporate finance (although it is broker to 20 companies), its main client base being the 16,000 personal customers (2,000 of them discretionary) for whom it manages £1.2bn (£150m discretionary).

Its approach has worked so far: last year, which was a tough one for brokers, it made a profit of £1.7m on turnover of £7.6m. In the first six months this year, in a quieter stock market, £0.5m is expected. Illingworth Henriques chose

a link-up of a different kind. It joined up with Allied Provincial, bringing the security of being part of a network of local stockbrokers. Such arrangements, where largely fixed central costs are spread across a number of offices, are becoming increasingly common. Bell Lawrie White, a multi-office firm owned by Hill Samuel and, ultimately, the TSB, set up from scratch in Manchester

two years ago and now claims

Tilney, a Liverpool firm, found security through another route. It was bought by Charterhouse, part of the Royal Bank of Scotland, and has come through the upheaval of Big Bang as one of the stronger firms in the

1.000 clients.

Tilney has a strong institutional side, with 31 analysts (22 in Liverpool, nine in London) covering 60 per cent of the stock market by value. Its seven-person corporate finance department, with 30 brokerships to its name, is also one of the strongest in the

That leaves Henry Cooke Lumsden as the one firm largely unchanged by it all. It is still mostly owned by its managers (although they are now directors of a company rather than partners), with just 10 per cent in the hands of Refuge Assurance.

HCL dominates in Manchester - to the extent that it says it would welcome more local competition, to give local companies and professionals a greater confidence in Manchester brokers in general. The opportunities in Manchester have drawn the attention of both Charterhouse Tilney (which has just moved a nearby office into the city) and

BWD Rensburg. HCL, like others, relies mainly on private clients, who account for about a half of its income. With institutional broking (15 salesmen and analysts), the total from broking

rises to two-thirds. Other parts of the business have grown substantially. HCL's corporate finance department now boasts 40 brokerships, it has a 20 per cent stake in a bank (Edington) and it manages a development capital fund. There is also a large fund management operation. Mr Adams refuses to disclose the value of funds under discretionary management, but puts the amount of money "under the firm's influ-

ence" at £2bn. Firms such as HCL, BWD and Tilney believe they have a large enough client base and a tight enough control on their costs to see themselves through the stockbroker shake-out. It remains to be seen how many others come through it with them.

Merger wave in commercial law

Fusion is strength

people on the corporate side out of a total staff of 35, and

hopes to double that within a

that have a significant effect on legal bills - although London firms put less partner time into an assignment.

The mergers have created a number of large firms although size alone gives little indication of the type or quality of work they do. The biggest merger creations have been Davies Wallis Foyster, Lace Mawer and Cobbett Leak

The first, which took effect last November, created a 41partner firm with more than 200 fee-earners - the largest in the region. Size gives clients greater confidence in a firm's depth of skills, enables it to bring in more specialists and makes recruitment far easier, says Mr Jim Davies, chief exec-

However, DWF has some way to go before becoming an established name on the corporate circuit. It has six partners specialising in company and commercial work.

DWF is treading a familiar path, expanding out of Liverpool into Manchester - as Alsop Wilkinson and Lace Mawer did before it. "You aren't taken seriously in corporate work unless you can cut it in Manchester," says Mr

Other mergers have taken different forms. For instance, six-partner Maurice Rubin Clare became the first local firm to forge a link with a London practice when it was absorbed by Davies Arnold market position. Cooper in February. It has five

year, financed in part by DAC's London operations. Despite the mergers, the leading firms remain unchanged. Most rivals still list Addleshaw Sons & Latham, Alexander Tatham and Alsop Wilkinson (itself the product of a merger) as the firms they strive to emulate. In commer-

Street, is much admired. Of these, it is Alsop that is currently raising eyebrows. It will shortly be without two of its top commercial partners in Manchester (including the highly-regarded Mr Alan Greenough). The other driving force on its corporate side, Mr Roger Lane-Smith, has been based in London in recent years. Rivals say, however, that it is far too soon to write

cial work a fourth firm, Chaffe

the firm off. Mr Will Holt, who has

stepped into Mr Greenough's shoes, says the firm has five partners in the company and commercial field in Manchester (in addition to three in Liverpool) and still has the depth of talent to maintain its

The loss of two key partners following a merger, however (the Wilkinson connection was forged two years ago) should stand as a warning to all merger-mad lawyers of the potential dangers of such moves in terms of retaining valuable staff.

Through the merger whirl, Addleshaw carries on regardless. According to Mr Paul Lee, corporate work continues to be strong, despite the economic slowdown, and this year looks like being as good as others recently. "The quality of deals in the last quarter has been as good as we have ever seen," he

The firm has 30 partners and another 50 fee earners - six of its partners in company work. Besides commercial property, it is now a significant presence in the insolvency business, having taken the bulk of Priors' Manchester office (including four partners) when the rest of the firm merged with

Dibb Lupton recently. Alexander Tatham, with 21 partners (11 of them in commercial work), has also stayed out of the mergers, and remains highly regarded by competitors.

Another respected name in commercial work is Chaffe Street, which has one of the biggest commercial departments in the region. Its 20 lawyers (13 in corporate work, with others in commercial litigation and property) have made it the target of many approaches by other local firms seeking a merger, says Mr John Street, one of two Street brothers in the firm (the Chaffe comes from its Stockport roots, from which it separated in

Short of an approach from a London firm seeking a regional arm, Mr Street says that the firm will refuse all offers.

Such specialist niche firms are becoming scarce. Another in the region is Bullivant, a Liverpool commercial property firm, while insolvency practice William Prior recently broke

All three of the leading firms in the region became part of national groupings at the end of the 1980s (Addleshaw in the Norton Rose M5 association. Tatham in Eversheds and Alsop in Legal Resources Group). These groups, with varying degrees of cohesion and commitment binding them together, could yet cohere into the first true national prac-**Richard Waters**



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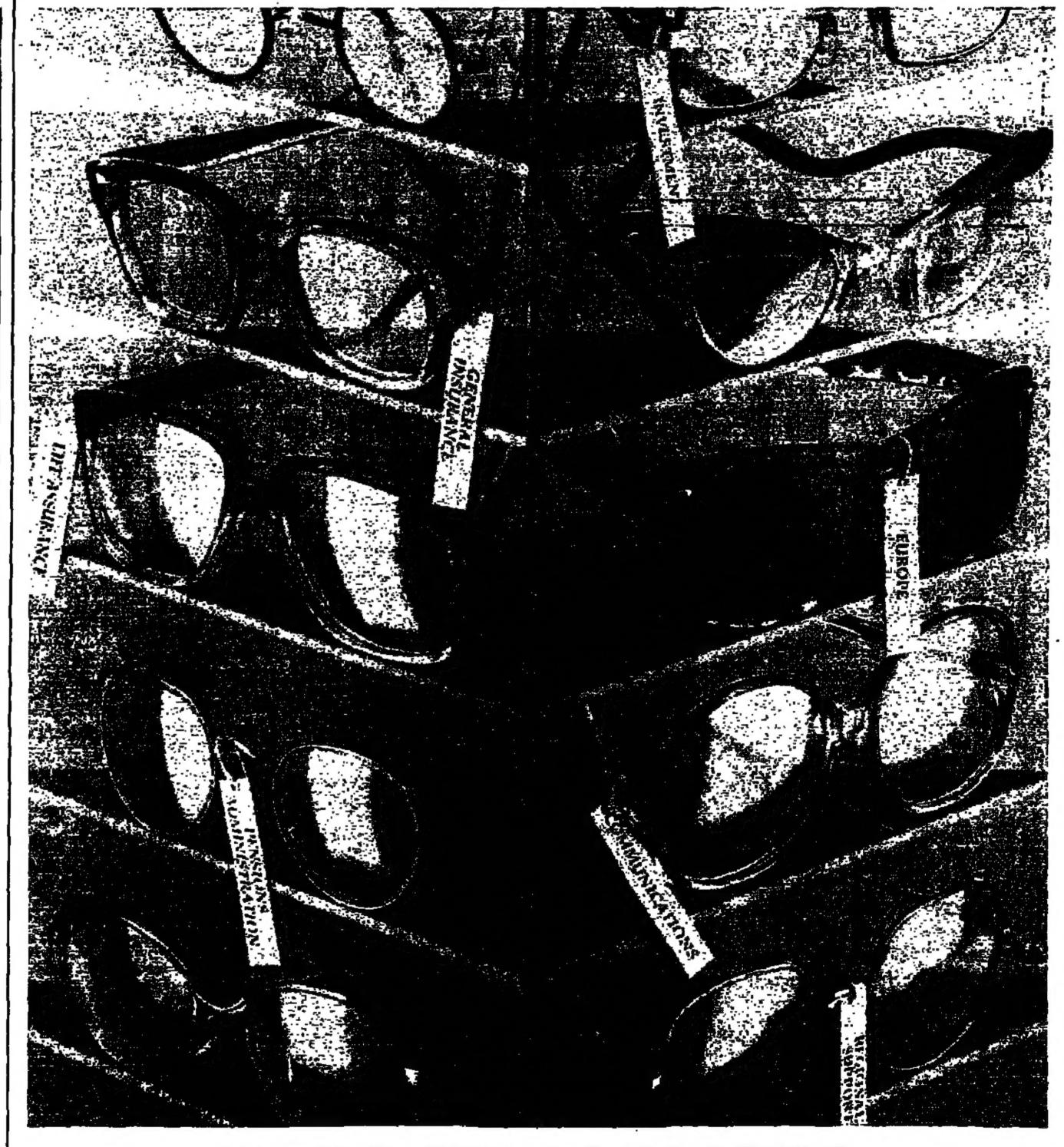
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the Yorkshire and Humberside Financial Forum invites comparison with the Manchester Financial and Professional Forum, now some five years old. The Leeds movers opted for a relatively steep membership contribution of £5,000 in the expectation of active involvement by high-profile individuals. Manchester's approach has been to embrace the city's professions by means of a low entry fee; some claim it has also shown a low activify rate outside the annual din-

MAY'S OFFICIAL launch of

ner and the old boy network. -Whether in response to Leeds or not, Manchester is changing. Subscriptions have been tripled to £500, and the membership target raised to 120. From this autumn, MFPF is to have its own, albeit part-time, director in Mr David Baker, the retiring Bank of England Manchester manager. and a secretariat based at the Manchester Chamber of Commerce offices in Oxford Street. The forum is seeking a more active role in Manchester's growing financial community. Its supporters deny that MFPF ever was simply a club. They say that it has successfully raised the profile of Man-

Robert Waterhouse looks at the region's attempts to promote its finance industry

Forum puts up fees and raises profile

and made the local business community more aware of services on offer. "We would readily admit to deficiencies," says Mr Mel Harding, the committee member responsible for publicity, "but these are down to resources like time and money - not to a lack of

Promotional competition from Leeds and Birmingham is a spur, but interests are not necessarily mutually exclusive. "We welcome the initiatives of Leeds and others," Mr Harding comments. "They demonstrate that businesses don't have to go to London for certain key services."

Mr Baker's job at the Bank of England since 1985 has involved, among other things, the role of industrial liaison, keeping close to north-west industry and commerce in order to report the regional temperature back to Threadneedle Street. This has given him a wide range of contacts which, he says, he will be

employing but not exploiting. One target area will be professionals in north-west centres such as Preston, Lancaster and Carlisle, or even the Manchester satellites Bolton and Oldham, which still tend to bypass Manchester for London when it comes to specialist

Company formation, Mr Baker suggests, is the sort of expertise Manchester could be offering each day to Lancashire and Cheshire lawyers. who "fear the monster on their doorstep more than the dragon down the road.' He feels the region has at its

grasp a moment of great potential, created by the logiam in the south-east and the opening up of Europe. "We are suggesting that people exploit the region's commercial and manufacturing capacity by making better use of the services on

This, of course, includes overseas investment, and here a variety of networks inter-



Management consultancies range from sole practitioners to large operations

Problem of picking the right helpmate

Peter Folianan, of North of England Ventures

twines. Part of MFPF's behindthe-scenes work lies in supplying Inward, the north-west investment agency, and promotional bodies such as the Trafford Park Development Corporation with computerbase updates so that responses to or German inquiries include specific information on financial services. Chicago or Dusseldorf companies would

probably expect to buy profes-

sional support in their home town, so there is far less of a cultural problem here than in selling Manchester know-how to south-east concerns. Two informal groupings

reinforce these links. Manchester's Consular Association meets regularly for lunch at tice is for honorary consuls often Manchester lawyers - to bring along guests, typically

class Northern life circa 1960.

they represent, to meet key figures in the local community. The city's cosmopolitan connections also surface in Manmiba, the Manchester Merchant and International Bankers Association, currently with 64 members.

The association, which

meets quarterly at the St

James's Club in Charlotte Street for lunch and a topical talk, has its history back in exchange control days when overseas banks felt the need to pool problems. With the support of the Bank of England. which holds an annual reception in its honour, Manmiba has developed into a practitioners' group seen as particularly useful for the smaller international operations setting up in town. Managers of new arrivals - such as Credit Lyonnais and the Bank of Cyprus - are automatically welcomed to the network. Manchester also runs the most active regional branch of

the Institute of Fiscal Studies. chaired this year by Mr Peter Folkman, founder of North of England Ventures and former director of 8i's Manchester operation. Mr Folkman sees monthly branch meetings at the St James's, attended by 60-100 professionals and ranging into matters of the public and private purse, as "a sign of life outside London." He notes, for instance, that the IFS's pre-Budget presentations are

Manchester than London. Last year the branch, together with Umist, offered a £750 essay prize for contributions to the regional policy debate won by Mr Mark Byers of Grant Thornton. It plans to arrange another prize in the coming year, this time in conjunction with the Manchester Business School.

discussed more thoroughly in

Is there a new Manchester emerging? "I wish I could, with a straight face, say 'yes'," Mr Folkman replies. Ideology

tends to be less evident than research and analysis. "The IFS is a good connection. We have the franchise, we tend to run our own world, and it adds up to being very important to our credibility."

In Mr Folkman's opinion it takes more than intellectual fervour, effective publicity or even tangible achievements to alter the view of Manchester from the Square Mile. The blinkers still pertain. But he admits to personal surprise at the relative success of MFPF as a promotional vehicle. "The Forum has developed a profile for Manchester that a lot of others have imitated." He sees advantages in the loose-limbed structure that go beyond organising well-attended din-

If Liverpool chooses to keep a discreet distance from Manchester's trumpetings it is partly because cross-fertilisation between practices has destroyed many old animosities. And as Mr Graham Thelwall Jones of Charterhouse Tilney in Liverpool underlines, Merseyside competes quite happily on its own terms. What context, is good for the north-west. Could it be the start of supra-regionalism?

WHATEVER disadvantages north-west industry faces in the 1990s, it is not without advice. Management consultancies listed in the current BT West Pennines area Business Pages directory run to four col-

umps, or about 300 entries.

although this area mysteri-

ously excludes both Cheshire

and the Lancashire coast north

chester, achieved recognition

for the city as the premier

financial centre in the regions,

of Formby. Consultancies based in the region reflect a spectrum of resource from the largest international operations to sole practitioners. The problem clients face is picking the right

helpmate. Mr Larry Tune, Coopers & Lybrand Deloitte's northern director of management consultancy services, claims that his company's operation is the "biggest by far" in the region. Manchester's 65 fee-earners together with Liverpool's 37 generate an income of £9m for the north-west, nearly half of

the total northern take. Mr Tune calls the merger between Coopers, his old firm, and Deloitte "a marriage made in heaven" because Deloitte brings an audit base to the tryst which was largely unexploited for consultancy purposes. The opportunity, says

Mr Tune, a man not given to understatement, is "immense." This does not mean being amorphous. "Because we are so big, we have become multispecialists. We aren't generalists." It's a claim echoed

It pays to cultivate long-lasting relations with a relatively small number of clients

throughout the profession. Mr Roy Davies, partner in charge of the 70-strong Price Waterhouse Manchester consultancy. which also works in tandem with its Liverpool office, notes an increasing sophistication among clients looking for cost reduction and bottom-line

"We are talking about third generation consultancy users." says Mr Davies, "who are more

experienced and more demanding." It pays, therefore, to cultivate long-lasting relations with a relatively small number of clients. And, as part of the relationship, consultants are becoming pro-active, investing their own resources in areas of likely interest. Mr Davies mentions, for instance, Price

Waterhouse's work on cable TV opportunities in the north. His consultancy's £6m fee turnover includes market preparation work for Manweb, the Merseyside and North Wales Electricity Board; Raab Karcher, the West German building supplies company and Dalgety.

Activity within companies is

necessarily discreet, but every now and then consultants hit the headlines. "I helped save the Manchester Ship Canal." claims Mr Tune. He refers to the Coopers & Lybrand report for the Manchester Ship Canal Steering Committee, presented

in March 1986 just before the abolition of the Greater Manchester Council, which identified commercial opportunities and underlined the value of preserving the canal's upper

Mr Tune says he would now love to become involved in a study to show the potential of the new West Coast passenger ferry service between Liverpool and Bordeaux.

However, the North West Channel Tunnel Group looked beyond the region for last year's report on the implications of rail links and the Single European Market. The group commissioned Pieda as its main planning consultants. It was important that British Rail, which has also used Pieda, could not belittle the group's recommendations. Equally, north-west consul-

tancies work around the world When Collinson Grant bought the building in 1975, or around Britain. The Chester-based Doctus Management eschewing the Manchester city

centre, the doctor's reception-Consultancy recently signed an agreement with a privatelyist. Mrs Cynthia Vernon. owned Soviet company to projstayed on. She, and Mrs Diana ect manage development in the Wroe, the partners' original Tomsk region of Siberia. Colsecretary, exercise quality conlinson Grant Consultants. troi over all written matter based at Swinton, North Manleaving Colgran House: if they don't approve it doesn't go. chester, carries out almost half its work in London and the They also, of course, know

all clients - companies which include Hanson, the Isle of In 20 years Collinson Grant Man Government, Marks and has grown from a two-man Spencer, Mitsubishi and Thorn operation to employ about 100 Lighting. Collinson Grant led people, all fee-earning, turning over a profitable £5m. Mr Len the project to create Lancashire Enterprises, the success-Collinson, its managing ful development arm of Lancadirector and central force since shire County Council, now a his partner, Mr James Grant. privately-run plc. died in 1981, runs a Across Manchester at Wilmshorizontally structured consullow. Wickland Westcott runs a tancy from a former doctor's similar-sized independent consurgery furnished like a Boult-

sultancy in a modern designer ing Brothers' film of middleenvironment. Clients include British Airways, Ciba-Geigy. Glaxo, liford, Kellogg and, just down the road, Whitecroft. Wickland Westcott has been in

Wilmslow for 12 years and recently bought control of the company back from Cresta Holdings for £3.2m, with a deferred consideration of £1.2m when flotation comes in about five years' time.

One rule of thumb is that technical

consultancy comes cheaper than personal

The style contrast with Collinson Grant is total, but Mr Mike Westcott's impression of the north-west business scene does not differ fundamentally from that of Mr Collinson, or. for that matter Mr Tune and Mr Davies. Industry, they report, is resilient and resourceful in the current downturn, but clients not surprisingly seek more and more added value for their money.

How much are they prepared to pay? The fee baseline starts at around £500 a day, much as in other regions, but rates can break £1,000. So much depends on the sort of work undertaken. One rule of thumb is that technical consultancy comes cheaper than personal, or human resource, development. Coopers & Lybrand Deloitte operates a national fee structure but is coy about details: Collinson Grant averages £500, Wickland Westcott

Is it hard attracting the right staff to work from the north-west? Mr Tune of Coopers admits to an image problem which is usually solved when people come to see for themselves. Mr Westcott says his consultants live all round the country, but that the first consideration is to match staff with a company culture, which can mean long-distance commuting

The industry has shed jobs in some sectors, principally executive search. But at a time of ever sharpening competition within industry, top consultante write their own salary

Robert Waterhouse

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